

# ROLE OF U.S. CORRESPONDENT BANKING IN INTERNATIONAL MONEY LAUNDERING

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## HEARINGS

BEFORE THE  
PERMANENT SUBCOMMITTEE ON  
INVESTIGATIONS

OF THE  
COMMITTEE ON  
GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

FIRST SESSION

MARCH 1, 2, AND 6, 2001

VOLUME 4 OF 5

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Senate Permanent Subcommittee  
On Investigations  
EXHIBIT # 58a

**Exhibit 58a.**

**Hanover Bank general documents**

Source: [All Sources](#) : / ... / : [The Bankers' Almanac](#)  
 Terms: [hanover bank](#) ([Edit Search](#))

*The Bankers' Almanac The Hanover Bank Ltd*

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The **Hanover Bank Ltd**

Chancellor Chambers, Newgate Street, St John's, Antigua & Barbuda, Leeward & Windward Islands

Tel: +1 268 4624468 Fax: +1 268 4620327

**LENGTH:** 194 words

**TABLE OF CONTENTS:**

Company Info  
 Executives  
 Subsidiaries  
 Balance Sheet (US\$ )

\*\*\*\*\* COMPANY INFORMATION \*\*\*\*\*

**RANKINGS:** World: 3,281

**SHAREHOLDERS:** M A Fitzpatrick 100%

**AUDITOR:** Vaghela Unadkat & Co

**EMPLOYEES:** 5

**DESCRIPTION:**

Private Bank  
 Activity: Offshore Banking  
 Services: Confidential Offshore banking services for the personal and corporate customer, Asset Management, Bills of Exchange, Bonds, Corporate Finance, Documentary Credits, Foreign Exchange, Guarantees, Letters of Credit, Mergers and Acquisitions, Money Markets, Note Issue, Syndicated Loans  
 Shares: US\$ 1  
 Meetings: March

**HISTORY:** Established 1992.

\*\*\*\*\* EXECUTIVES \*\*\*\*\*

Michael A Fitzpatrick, President/Chairman  
 John Burgess, General Manager  
 Brian Shipman, International Division  
 Michael A Fitzpatrick, Correspondent Banking  
 Jeffrey St. James, Foreign Exchange & Documentary Credits

Related Companies:

Hanover Nominees Limited

## \*\*\*\*\* PERFORMANCE RATIOS \*\*\*\*\*

Dec.31	1998	1997
Net Profit/Equity Capital	19.95%	65.96%
Net Profit/Total Assets	17.64%	8.37%
Equity Capital/Total Assets	88.43%	12.69%

## \*\*\*\*\* BALANCE SHEET (US\$ ) \*\*\*\*\*

CURRENCY: Dollar, US\$, U.S.\$, USD

ASSETS: Dec.31	1998	1997
	US\$	US\$
Cash & Banks	810,250	7,670,660
Investments	4,500,000	5,101,643
Loans, &c	557,928	3,409,095
Other Assets	5,000	-
Total	5,873,178	16,181,398

LIABILITIES: Dec.31	1998	1997
	US\$	US\$
Capital	5,000,000	1,000,000
Reserves	-	814,163
Deposits, &c	649,458	13,947,807
Other Liabilities	30,000	180,300
Profit Balance	193,720	239,128
Total	5,873,178	16,181,398

## \*\*\*\*\* PROFIT &amp; LOSS STATEMENT (US\$ ) \*\*\*\*\*

Dec.31	1998	1997
	US\$	US\$
Net Interest Inc.	1,469,525	1,182,277
Other Income	965,518	1,325,829
Other Expense	(1,399,080)	(1,153,767)
Net Profit/(Loss)	1,035,963	1,354,339

LANGUAGE: English

PUB-TYPE: Company Profile

LOAD-DATE: February 23, 2000

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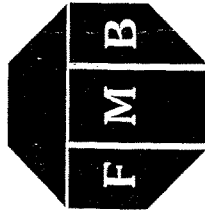
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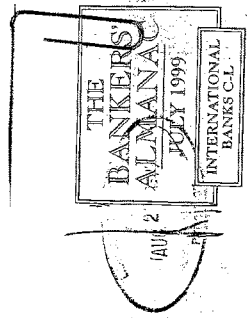


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First Merchant Bank was incorporated in North Cyprus in 1993 and offers a comprehensive range of banking products and financial services with assets totalling 2.5 billion US Dollars.  
 First Merchant Bank has a rich tradition of trading and banking. Our commitment to our customers both private and corporate is to provide a comprehensive, personalized, efficient, reliable and confidential range of services.  
 Our principal activities are commercial and investment banking for the individual and corporate offshore customer.

First Merchant Bank OSH LTD.  
 25 Serif Azizik Street, Lefkosa/Nicosia  
 North Cyprus  
 Mersin 10  
 TURKIYE

Phone: + 90 392-227 5373  
 Fax: + 90 392-227 5377  
 Telex: 0607-57376 FMBB TK  
 E-Mail: [info@firstmerchantbank.com](mailto:info@firstmerchantbank.com)  
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154th YEAR OF PUBLICATION

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— Data Change —	
<b>Hanley Economic Building Society</b>	
Head Office: Granville Hee, Festival Park, Hanley, Staffs ST1 5TB, UK. TEL: +44 1782 255000. FAX: +44 1782 213977. <i>Savings Bank and Building Society. Member of Building Societies Association &amp; Annual Building Societies Awards.</i>	
History: Established 1854.	
Chairman: C P Hodgkinson. Chief Executive: B Thomas. FCIB Secretary: C S Hassall. FCIB.	
BALANCE SHEET:	
	1998
Liabilities: Aug 31	£
Reserve	15,697,000
Shares & Deposits	197,088,000
Other Liabilities	1,594,000
Total	214,379,000
	1997
Assets: Aug 31	£
Liquid Assets	42,338,000
Commercial	185,665,705
Fixed Assets	3,307,592
Other Assets	233,000
Total	211,543,307

Total Assets at Aug 31 1998: U.S.\$ 356,744,766 (at ex rate 0.6018)	
PROFIT & LOSS STATEMENT:	
	1998
Aug 31	£
Net Interest Inc.	4,581,000
Other Income	378,000
Other Expense	(2,220,000)
Net Profit/(Loss)	1,194,000

Auditors: KPMG Audit Plc. Branches: 5. No. of Employees: 70	
Wholly-owned Subsidiaries: Hanley Mortgage Services Limited.	
— Data Change —	

<b>The Hanover Bank Ltd</b>	
Head Office: Chancellor Chambers, Newgate Street, St John's, Antigua & Barbuda, Leeward & Windward Islands. TEL: +1 268 4624468. FAX: +1 268 4620327.	
World Rank (3.388)	
Private Bank: <i>Offshore Banking. Services include Confidential Offshore banking services for the personal wealth of individuals. Includes: Asset Management, Bills of Exchange, Bonds, Corporate Finance, Documentary Credits, Foreign Exchange, Guarantees, Letters of Credit, Mergers and Acquisitions, Money Markets, Note Issue &amp; Syndicated Loans.</i>	
History: Established 1982.	
President: Michael A Fitzpatrick. General Manager: John Burgess. International Division: Brian Shipman.	
Correspondent Banking & Foreign Exchange: Peter Coster. Documentary Credits: Jeffrey St. James.	
BALANCE SHEET:	
	1998
Liabilities: Dec 31	US\$
Capital	5,000,000
Reserve	814,483
Other Liabilities	30,000
Profit Balance	193,728
Total	5,873,178

The Hanover Bank Ltd — cont'd	
PERFORMANCE RATIOS:	
	1997
Dec 31	1998
Net Interest Inc.	1,452,525
Other Income	962,518
Other Expense	(1,262,828)
Net Profit/(Loss)	(1,133,797)
	1,384,339
Shares: US\$ 1. Meetings: March. Auditors: Vignella Umstad & Co. No. of Employees: 5.	
Related Companies: Hanover Northrees Limited.	

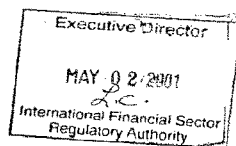
<b>Hansabank-Latvija</b>	
Head Office: 28 Kaķu iela, LV-1050 Riga, Latvia. TEL: +371 7024444. 7024422. FAX: +371 7024401. 7024424. <i>Head Office: 28 Kaķu iela, LV-1050 Riga, Latvia. TEL: +371 7024444. 7024422. FAX: +371 7024401. 7024424. WEBSITE: <a href="http://www.hbl.lv">http://www.hbl.lv</a></i>	
Joint Stock Bank. <i>Regional, Savings and Universal Bank, Commercial, Corporate, Investment, Merchant, Mortgage, Private and Retail Banking. Services include: Asset Management, Bills of Exchange, Bonds, Corporate Finance, Documentary Credits, Foreign Exchange, Guarantees, Letters of Credit, Mergers and Acquisitions, Money Markets, Portfolio Management, Risk Insurance &amp; Syndicated Loans.</i>	
History: Established May 8, 1992.	
Ownership: Hansapank, Tallinn, 92.5%.	
President: Ingvald Bunn. General Manager: Valdis Purnikis. Foreign Exchange: Sirdis Pavlova.	
CORRESPONDENTS: Frankfurt am Main: Deutsche Bank AG. New York City: Bankers Trust Company.	
STOCKHOLM: FöreningsSparbanken.	
EURO account ELEMENT INSTRUCTIONS:	
EUR: Danske Bank AG. Frankfurt am Main. SWIFT: DEUT DE FF.	
SEK: FöreningsSparbanken, Stockholm. SWIFT: SWED SE SS.	
USD: Bankers Trust Company, New York City. SWIFT: BNTR US 33.	
No. of Employees: 600.	

<b>Hansapank</b>	
Head Office: Lihulalla Si B, 15040 Tallinn, Estonia. TEL: +372 6131310.	
SWIFT: HABA EE 2X. <i>Head Office: Lihulalla Si B, 15040 Tallinn, Estonia. TEL: +372 6131310. SWIFT: HABA EE 2X. FAX: +372 6131338. FAX: +372 6131350. FAX: +372 6131323.</i>	
Credit Ratings: Moody's: Baa1. S&P: BBB-1. TBN: —. LC-1	
World Rank (2.035). Country Bank (3)	
Company: Hansapank. <i>Services include: Asset Management, Bills of Exchange, Bonds, Capital Markets, Exchange, Guarantees, International Settlements, Letters of Credit, Mergers and Acquisitions, Money Markets, Portfolio Management, Risk Insurance, Syndicated Loans &amp; Underwriting.</i>	
History: Established 1991.	
Ownership: 9.71%: Handoverbank, Stockholm, 46.88%: European Bank for Reconstruction & Development, London, 9.71%: Handoverbank, Stockholm, 5.08%: Nord Holding OJ, Tallinn, 0.87%: AS Anelli, 0.76%: Merila, Estonia, Tallinn, 1.30%: H Godwin Ltd, 1.15%: Nord Holding OJ, Tallinn, 0.87%: AS Anelli, 0.76%: Merila, Banks' clients, 1.09%: Clients of Bank of Bermuda, 1.28%: Others, 15.88%.	
Chairman of the Board: Hansapank. Chairman of the Board: Indrek Neivelt. Finance: Eeki Haasake (Chair of the Board). Foreign Division: Ago Lauri (Director).	
CORRESPONDENTS: Brussels: Generale Bank, Copenhagen: Den Danske Bank A/S; Unibank A/S; Danske: First Ukrainian International Bank, Dublin: AB Group, Frankfurt am Main: Bankers Trust Company, London: Citibank, Moscow: International Moscow Bank, New York City: Bankers Trust Company, New Zealand Banking Group Ltd.	

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INTL. BUSN. CORPS.

02



IN THE HIGH COURT OF JUSTICE  
ANTIGUA AND BARBUDA  
A.D. 2001



SUIT No. 71 of 2001

In the Matter of THE HANOVER BANK LIMITED (In Receivership)

and

In the Matter of the International Business Corporations Act, Cap. 222

**ORDER****BEFORE THE HONOURABLE MR. JUSTICE HENRY MOE (IN CHAMBERS)****DATED THE 3<sup>RD</sup> DAY OF APRIL, 2001****ENTERED THE 30<sup>TH</sup> DAY OF April, 2001**

UPON THE PETITION OF CLEVELAND SEAFORTH of Fitches Creek in the Parish of Saint Georges in the Island of Antigua and Barbuda filed on the 9<sup>th</sup> day of March, 2001.

AND UPON HEARING Mr. Septimus A. Rhudd, of Counsel, Counsel for the Petitioner; Miss Rika Bird, Counsel for and on behalf of the Executive Director of the International Financial Sector Regulatory Authority being present and no one appearing for or on behalf of The Hanover Bank Ltd. (In Receivership)

AND UPON READING the said Petition with the exhibits attached thereto together with the Affidavit verifying Petition of Cleveland Seaforth filed on the 9<sup>th</sup> day of March, 2001

AND BEING SATISFIED as to Service of the said Petition and Affidavit Verifying Petition.

**THE COURT DOETH ORDER:**

1. That The Hanover Bank Ltd. (In Receivership) be liquidated and dissolved pursuant to the provisions of the International Business Corporations Act, Cap. 222
2. That Cleveland Seaforth be authorised to continue as Receiver-Manager until the liquidation and/or dissolution of the Bank is completed.

3. That Cleveland Seaforth be appointed as Liquidator of the Bank.
4. That Cleveland Seaforth as Receiver-Manager be at liberty to apply for directions from the Court.
5. That the remuneration of the Receiver-Manager be paid out of the assets of the Bank.
6. That the dissolution be reviewed by the Court in six (6) months time.
7. Costs in the matter to be paid to Counsel for the Petitioner and said costs are to be taxed if not agreed.

BY THE COURT

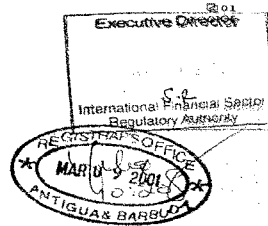
  
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INTEL. BUSN. CORPS.

IN THE HIGH COURT OF JUSTICE  
ANTIGUA AND BARBUDA

A.D. 2001  
(MISC.)



SUIT NO. of 2001

In the Matter of the Hanover Bank Limited (In Receivership)

and

In the Matter of the International Business Corporations Act, Cap. 222

AFFIDAVIT VERIFYING PETITION

I CLEVELAND SEAFORTH of Fitches Creek in the Parish of Saint Georges in Antigua and Barbuda, make oath and say as follows:

1. I am a Partner in the accounting firm of KPMG.
2. I am the Receiver/Manager for The Hanover Bank Ltd. having been so appointed by the Acting Supervisor of International Banks and Trusts.
3. I am duly authorized to sign the Petition attached hereto.
4. Such of the statements in the Petition now produced and shown to me and marked with the letter "A" as relate to my own acts and deeds are true, and such of the said statements as relate to the acts and deeds of any other person or persons I believe to be true.

SWORN to at the Court House )

High Street, St. John's, Antigua this )

Day of March, 2001 )

*[Signature]* )  
*[Signature]* )  
 CLEVELAND SEAFORTH )  
 ANTIGUA AND BARBUDA )

*[Signature]*

**IN THE HIGH COURT OF JUSTICE  
ANTIGUA AND BARBUDA**

**A.D. 2001**

**(MISC.)**

**SUIT NO.            of 2001**

**In the Matter of the Hanover Bank Limited (In Receivership)**

**and**

**In the Matter of the International Business Corporations Act, Cap. 222**

**TO:    The High Court of Justice  
        High Street  
        St. John's**

The Humble Petition of **CLEVELAND SEAFORTH** of Fitches Creek in the Parish of St. Georges in the Island of Antigua in Antigua and Barbuda, sheweth as follows:

1.    The Hanover Bank Limited (hereafter called "the Bank") was incorporated in Antigua and Barbuda on the 12<sup>th</sup> day of August, 1992 pursuant to the provisions of the International Business Corporations Act, Cap. 222 (then Act No. 28 of 1982). A copy of the Certificate of Incorporation is appended hereto and marked "CS 1".
  
2.    The Bank was granted a Licence by the Supervisor of International Banks and Trusts Corporation on the 12<sup>th</sup> day of August, 1992 to conduct international banking business. A copy of the said Licence is appended hereto and marked "CS 2".
  
3.    The Registered Office of the Bank is situated at Chancellor Chambers, the Law Office of Simon and Associates, Attorneys-at-Law at Newgate Street in the City of St. John's in the Island of Antigua and Barbuda. The Bank transacts business from Newgate Street in the City of Saint John's in Antigua and Barbuda.

4. The authorized capital of the Bank is US\$500,000,000.00 divided into 250,000,000 registered Class A common shares and 250,000,000 registered Class B common shares of US\$1.00 each, of which 1 million has been issued to the said Michael A. Fitzpatrick and 4 million has been issued to Iberia Trust SL.
5. The objects for which the Bank was established were:
  - (a) To conduct international banking business in accordance with the laws of the State of Antigua and Barbuda; and
  - (b) To generally have and exercise all powers, rights and privileges necessary and incident to carrying out properly the objects of the Bank.
6. At the date of its incorporation, the Bank had three (3) Directors, viz. Justin Simon, Richard O'Dell Poulden and Antigua Management & Trust Ltd. As at the date of this Petition, the directors of the Bank are Michael A. Fitzpatrick and Justin L. Simon.
7. By virtue of a letter, dated the 12<sup>th</sup> day of February, 2001, your said Petitioner was appointed as the Receiver/Manager of the Bank by Ms. Althea Crick, the Acting Supervisor of International Banks and Trusts. A copy of this letter of appointment is appended hereto and marked "CS 3".
8. I have been advised by the Acting Supervisor of International Banks and Trust and verily believe that the Acting Supervisor of International Banks and Trusts formed the view that the Bank's business was being conducted in an imprudent manner and that the Bank was insolvent.
9. In addition, on or about the 12<sup>th</sup> day of February, 2001, the Acting Supervisor of International Banks and Trusts wrote to the Bank and informed it, inter alia, that "a number of transactions processed by the Bank should have been reported as a suspicious activity to the Supervisory Authority under Section 13 (2) of the Money Laundering (Prevention) Act, 1996, with copies forwarded to the



Executive Director of the Authority pursuant to Section 19 of the International Business Corporations Regulations, Statutory Instrument No. 41 of 1998.”

10. Specifically, the Acting Supervisor of International Banks and Trusts identified transactions relating to accounts maintained by the Bank for one Terence Wingrove and an operation referred to as Niche Group.
11. The Acting Supervisor of International Banks and Trusts notified the Bank that the failure to report those suspicious transactions was a violation of Section 13 (2) of the Money Laundering (Prevention) Act, 1996. Your Petitioner was then appointed as Receiver/Manager of the Bank. A copy of this letter is appended hereto and marked “CS 4”.
12. By a further letter, dated the 12<sup>th</sup> day of February, 2001 addressed to your Petitioner, the Acting Supervisor of International Banks and Trusts requested your Petitioner to take the necessary steps to have the Bank liquidated and dissolved.
13. Your Petitioner is advised and verily believes that the Bank has failed to comply with the requirements of provisions of the Money Laundering (Prevention) Act, 1996 and the International Business Corporations Act, Cap. 222.
14. In the circumstances, it is just and equitable that the Bank should be liquidated and dissolved as its business is being conducted in an imprudent manner and in violation of the laws of Antigua and Barbuda.
15. Your PETITIONER therefore humbly prays as follows:
  - (1) That the Hanover Bank Limited may be liquidated and dissolved by the Court pursuant to the provisions of the International Business Corporations Act, Cap. 222.

- (2) That **CLEVELAND SEAFORTH** may be authorized to continue as Receiver/Manager until the liquidation and/or dissolution of the Bank is completed
- (3) That **CLEVELAND SEFORTH** as Receiver/Manager be at liberty to apply for directions from the Court.
- (4) That the remuneration of the Receiver/Manager be fixed.
- (5) That the dissolution be reviewed by the Court in one (!) year's time.
- (6) That costs in the sum of US\$                      be paid to Counsel for the Petitioner.

DATED the 8<sup>th</sup> day of MARCH, 2001.

  
PETITIONER

NOTE: It is intended to serve this Petition on the Executive Director,  
International Financial Sector Regulatory Authority and The  
Hanover Bank Limited.

**GOVERNMENT OF ANTIGUA AND BARBUDA****LICENSE TO CONDUCT AN INTERNATIONAL  
BANKING, TRUST OR INSURANCE BUSINESS**

Pursuant to Section 230 of the International Business Corporations Act,  
1982, No. 28 of 1982, the undersigned hereby grants a license to conduct an  
international banking business to

THE HALOVER BANK LIMITED

subject to all the terms and conditions of said Act.

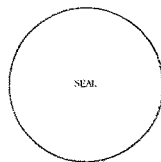
(For bank/trust)

A handwritten signature in dark ink, appearing to read 'H. A. Wilson', written over a horizontal line.

Supervisor,  
International Banks and Trust  
Corporations

(For insurance)

Superintendent,  
International Insurance Corporations



Issued at St. John's, Antigua,  
this 12<sup>th</sup> day of AUGUST, 1992

12 AUG 1992



## GOVERNMENT OF ANTIGUA AND BARBUDA

### APPLICATION FOR INTERNATIONAL BUSINESS CORPORATION CHARTER

- TO: DIRECTOR OF INTERNATIONAL BUSINESS CORPORATIONS  
MINISTRY OF FINANCE
1. Proposed Name: THE HANOVER BANK LIMITED
  2. Registered Office and Name and Address of Resident Agent:  
Justin Simon  
High Street  
St. John's, Antigua
  3. Authorized Number of Shares by Class: 1,000,000 registered common  
shares of US\$1 each
  4. Transferability Restrictions -- mark if applicable ☐
  5. Number of Directors -- Maximum 10 Minimum 2
  6. Restrictions to Corporate Purpose Clause: The Company shall not  
engage in International Trust, Insurance or Manufacturing.
  7. Securities Regulations Documents -- attached if applicable
  8. Licence Applications -- Banking ☒, Trust ☐, Insurance ☐
  9. Unanimous Shareholder Agreement -- attached if applicable
  10. Incorporators:  
William Cooper  
  
Justin L. Simon

PLEASE SUBMIT THE FOLLOWING COPIES OF DOCUMENTS, IF APPLICABLE:

Application for International Business Corporation Charter (1)  
Articles of Incorporation (3) (One certified copy returned)  
Licence Applications (2)

2805

STATE OF ANTIGUA AND BARBUDA

International Business Corporations Act, 1982 (No. 28 of 1982)

A Company limited by Shares

ARTICLES OF INCORPORATION

OF

THE HANOVER BANK LIMITED

ARTICLE I

NAME

The name of the Company is THE HANOVER BANK LIMITED

ARTICLE II

REGISTERED OFFICE & AGENT

The Registered Agent of the Company shall be JUSTIN SIMON, whose office is situated at High Street, St. John's, Antigua, in the city of Saint John's, Antigua; the said office shall be the Registered office of the Company.

ARTICLE III

CAPITAL

The Company is authorised to issue 1,000,000 registered shares of US\$1 each, which shall be designated "Common Shares". No share in the capital of the company shall be transferred without the approval of the directors of the company or of a committee of such directors evidenced by resolution and the directors may, in their absolute discretion and without assigning any reason therefor, decline to register any transfer of any share.

ARTICLE IV

BOARD OF DIRECTORS

The powers of the company shall be exercised by the Board of Directors of the company which shall be empowered to name one or more Managing Directors. Subject to any restrictions in the appointing resolution, an act of a Managing Director shall bind the Company as if the said act had been approved by the Board of Directors. Only a member of the Board of Directors shall serve as a Managing Director. The Company shall have a minimum of two and a maximum of 10 directors.

## 2806

### ARTICLE V

#### CORPORATE PURPOSE

The objects for which the Company is established are:

a. To conduct international banking business in accordance with the laws of the State of Antigua and Barbuda.

b. To generally have and exercise all powers, rights and privileges necessary and incident to carrying out properly the objects hereinmentioned.

### ARTICLE VI

#### EXISTENCE

The Company shall have perpetual existence unless sooner dissolved in accordance with the laws of Antigua and Barbuda. The date on which corporate existence shall begin is the date on which these Articles of Incorporation are filed with the Director of International Business Corporations of Antigua and Barbuda.

### ARTICLE VII

#### LIABILITY OF SHAREHOLDERS

The liability of a shareholder is limited to the amount, if any, unpaid on the shares held or subscribed to by said shareholder.

### ARTICLE VIII

#### INDEMNIFICATIONS

The Company shall indemnify any and all of its Directors, officers, employees or agents or former Directors, officers, employees or agents or any person or persons who may have served at its request as a Director, officer employee or agent of another corporation, partnership, joint venture, trust or other enterprise in which it owns shares of capital stock or of which it is a creditor, to the full extent permitted by law. Said indemnification shall include, but not be limited to, the expenses, including the cost of any judgements, fines, settlements and counsel's fees, actually and necessarily paid or incurred in connection with any action, suit or proceeding, whether civil, criminal, administrative or investigative, and any appeals

thereof, to which any such person or his legal representative may be made a party or may be threatened to be made a party by reason of his being or having been a Director, officer, employee or agent as herein provided. The foregoing right of indemnification shall not be exclusive of any other rights to which any Directors, officer, employee or agent may be entitled as a matter of law or which he may be lawfully granted.

ARTICLE IX

CHARTER CONTINUANCE

The Company is authorised to transfer its charter to any jurisdiction which permits continuation of a foreign corporation.

ARTICLE X

SECURITIES

No securities of the Company will be distributed to the public in Antigua and Barbuda in contravention of section 365 of the International Business Corporations Act, 1982.


ARTICLE XI

INCORPORATORS

The names and address of the Company's incorporators are:

Justin L. Simon  
Chambers  
P.O. Box 1519  
High Street  
St. John's  
Antigua

William Cooper  
P.O. Box 1407  
St. John's  
Antigua.

  
Justin L. Simon

  
William Cooper

Dated this 10<sup>th</sup> day of August 1992 at St. John's, Antigua.

STATE OF ANTIGUA AND BARBUDA

The International Business Corporation Act, 1982, No. 28 of 1982

A Company Limited by Shares

BY-LAWS

of

THE HANOVER BANK LIMITED

In these Bylaws, if not inconsistent with the subject or context, the words hereinafter stated shall bear the meanings set opposite to them.

The Company. The above-named Company.

The Act. The International Business Corporation Act, 1982, (No. 28 of 1982), and every other Act for the time being in force concerning such companies and affecting the Company.

These Presents. These By-laws as originally framed, or as from time to time amended or altered by special resolution.

The Register. The register of shareholders to be kept as required by Section 130 of the Act.

Office. The registered office for the time being of the Company.

The Board. The Board of Directors for the time being of the Company.

Ordinary Resolution. A resolution passed by a majority of the shareholders entitled to vote.

SHARES AND SHARE CAPITAL

1.1 Issuance. The issue or allotment of shares shall be under the control of the Board which may issue the whole or any portion thereof with such preferred, deferred, special or limited rights as it may think fit.



1.2 Preemptive Rights. All new issues of unissued shares of whatever kind shall be offered to the shareholders in proportion to the nominal value of the existing shares held by them, and such offer shall be made by notice specifying the number of shares to which the shareholder is entitled and limiting a time within which the offer, if not accepted, will be deemed to be declined; and after the expiration of such time or on the receipt of an indication from the shareholders to whom such notice is given that he declines to accept the shares so offered, the Board may dispose of the same in such manner as it deems most beneficial to the Company.

1.3 Alteration of Capital. The Company may from time to time by ordinary resolution increase the share capital by such sum to be divided into shares of such amount as the resolution shall prescribe. The Company may by ordinary resolution:

- a. Consolidate and divide all or any portion or its share capital into shares of larger amount than its existing shares;
- b. Sub-divide its existing shares, or any of them, into shares of smaller amount than is fixed by the Articles of Incorporation subject, nevertheless, to the provisions of the Act;
- c. Cancel any shares which, at the date of the passing of the resolution, have not been taken up or agreed to be taken up by any person.

Subject to the provisions of the Act, the Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account.

## II

### SHARE CERTIFICATE AND REGISTER

2.1 Certificates. Certificates representing shares of the Company shall be in such form as shall be determined by the directors. Such certificates shall be signed by a director. All certificates for shares shall be consecutively numbered or otherwise identified. Certificates may be issued to bearer or in registered form. Bearer certificates shall be marked as not transferable to residents of Antigua and Barbuda.

2.2 Register. The number of shares, the date of issue, the consideration paid, and the serial number of each bearer or registered share certificate shall be entered on the Register of the Company. In the case of registered shares, the name and address of the holder shall be entered on the Register.

2.3 Lost or Damaged Certificate. In the case of a lost, destroyed or mutilated certificate, a new one may be issued therefor upon such terms and indemnity to the Company as the Board may prescribe.

III

TRANSFER OF SHARES

3.1 Transfer. Upon surrender to the Company or the transfer agent of the company of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Company to issue a new certificate to the person entitled thereto, and cancel the old certificate; every such transfer shall be entered on the Register of the Company.

3.2 Record Owner. The Company shall be entitled to treat the holder of record of any registered share as the holder in fact thereof, and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person whether or not it shall have express or other notice thereof, except as expressly provided by the Act.

IV.

FISCAL YEAR

The fiscal year of the Company shall begin on the 1st day of January each year.

V.

DIVIDENDS

The Board may from time to time declare, and the Company may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law.

VI.

SEAL

The Board may provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of the company, the place of incorporation and year of incorporation.

VII.

MEETINGS

7.1 Annual Directors' Meeting. The Annual Directors' Meeting of the Company shall be held no more than four (4) months from the date of registration of the Company and at such place within the State of Antigua and Barbuda as the Board may determine.

7.2 Annual Shareholders' Meeting. An Annual Shareholders' Meeting of the Company shall be held every year after the incorporation of the Company at such time and place within Antigua and Barbuda as shall from time to time be prescribed by the Board.

7.3 Special Shareholders' Meeting. The Board may, whenever it thinks fit, convene a Special Shareholders' Meeting. The Board shall also on the requisition of the holders of not less than one-twentieth (1/20) of the issued share capital of the Company proceed to convene a Special Shareholders' Meeting of the Company.

7.4. Proceedings. All business shall be deemed special that is transacted at a Special Shareholders' Meeting, and also that is transacted at any Annual Shareholders' Meeting, with the exception of the consideration of the accounts and auditor's report and, if any, the election of directors and the reappointment of any incumbent auditor.

7.5 Quorum. No business shall be transacted at any shareholders' meeting unless a quorum of shareholders is present at the time when the meeting proceeds to business. Save as in herein otherwise provided, shareholders present in person or by proxy representing a majority of the Company's shares shall constitute a quorum.

7.6 Chairman. All meetings shall be chaired by a Director appointed by the Board to act as Chairman.

7.7 Minutes. Minutes of the proceedings of every Annual Shareholders' Meeting shall be kept, and shall be signed by the chairman of the same meeting, or by the chairman of the next succeeding meeting, and the same, when so signed, shall be conclusive evidence of all such proceedings and of the proper election of the chairman.

7.8 Votes of the Shareholders. Subject to any rights or restrictions for the time being attached to any class or classes of shares, every shareholder shall have one vote for each share of which he is the holder. All elections for directors shall be decided by majority vote; all other questions shall be decided by majority vote except as otherwise required by the Act.

7.9 Informal Action by Shareholders. Unless otherwise provided by law, any action required to be taken at a meeting of the shareholders, or any other action which may be taken at a meeting of the shareholders, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the shareholders entitled to vote with respect to the subject matter thereof.

7.10 Proxies. Votes may be given either personally or by proxy. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing, or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorized. A proxy need not be shareholder of the Company. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority shall be deposited at the office or at such other place within Antigua and Barbuda as is specified for that purpose in the notice convening the meeting.

7.11 Notice of Meeting. Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than twenty-one (21) days before the date of the meeting, either personally or by mail, to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the mail, addressed to the shareholder at his address as it appears on the stock transfer books of the corporation, with postage thereon prepaid.

7.12 Waiver of Notice. Unless otherwise provided by law, whenever any notice is required to be given to any shareholder, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

## VIII.

DIRECTORS

8.1 Number of Directors. Unless and until the Company in a General or Special Shareholders' Meeting shall otherwise determine, the number of directors shall not exceed ten (10). Each director shall hold office unless removed as provided in these presents, until the next Annual Shareholders' Meeting and until his successor shall have been elected.

8.2 Remuneration of Directors. Each of the directors shall be paid out of the funds of the Company such remuneration for his services as a director as the Company in Annual Shareholders' Meeting may from time to time determine. The directors may also be paid all traveling, hotel and other expenses properly incurred by them in attending and returning from meetings of the directors or any committee of the directors or meetings of the Company or in connection with the business of the company.

8.3 Directors with Other Offices and Interests. A director may hold any other office or place of profit under the Company and he or any firm of which he is a member may act in a professional capacity for the Company in conjunction with his office of director of the Company for such period and on such terms as to remuneration and otherwise as the Board may determine. No director or intending director shall be disqualified by his office from contracting with the Company, either with regard thereto, or as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any director is in any way interested, be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to the Company for any profit realized by way of such contract or arrangement by reason of such director holding such office, or of the fiduciary relationship thereby established so long as the director notifies the Company in accordance with the requirements of the Act. To the extent permitted by the Act, any director may vote as a director or shareholder in respect of any such contract or arrangement; provided that such director must disclose his interest to his co-directors, and if all the directors be interested in the contract or arrangement, the contract or arrangement must be entered into by the Company in an Annual or Special Shareholders' Meeting, and before the contract or arrangement is so entered into, the directors must disclose their interests to the meeting.

8.4 Proceedings of the Board. The Board at the request of any Director may meet together for the dispatch of business, adjourn and otherwise regulate their meetings as it thinks fit.

8.5 Executive Committee. The Board at a duly constituted meeting may by a resolution appoint a committee from among themselves to be known as an executive committee. This committee may perform such acts in the name of the Board in the same fashion as if the Board had acted. The limits of the executive committee's acts shall be prescribed by resolution of the Board. The powers of this committee may be changed from time to time by subsequent resolution of the Board.

8.6 Quorum. The quorum necessary for the transaction of the business of the Board may be fixed by the Board, and unless so fixed shall be one-half (1/2) of the number of persons then serving as directors. The quorum of any committee of the Board shall be fixed by the meeting of the Board appointing such committee and, if not so fixed, then such quorum shall be fixed by the members of such committee.

8.7 Voting. Every question at a meeting of the Board (Except where otherwise provided by the Board) shall be determined by a majority of the votes of the directors present, every director having one (1) vote.

8.8 Acting without A Meeting. A resolution may be adopted without any meeting of the Board or of a committee if evidence by writing under the hands of all the directors or of all the members of such committee, and such writing shall be as valid and effectual as a resolution duly passed at a meeting of the board or such committee.

8.9 Powers of the Board. The business of the Company shall be managed by the Board who may exercise all such powers of the Company as are not by the Act or by these By-laws required to be exercised by the Company in an Annual Shareholders' Meeting, subject nevertheless to any regulations of these By-laws, to the provisions of the Act and to such regulations being not inconsistent with the provisions of the Act as may be prescribed by special resolution of the Company, but no regulation so made by the Company shall invalidate any prior act of the Board which would have been valid if such regulation had not been made. The general powers given by this By-law shall not be limited or restricted by any special authority or power given to the Board by any other By-law.

8.10 Appointment of Attorney. The Board may from time to time and at any time, by power of attorney, appoint any company, firm or person to be the attorney or attorneys of the Company for the purpose of executing deeds on behalf of the Company in or outside Antigua and Barbuda and for such periods and subject to such conditions as they may think fit, and any such power of attorney may contain such provisions for the protection of persons dealing with any such attorney

as the Board may think fit, and may also authorize any such attorney to sub-delegate all or any powers, authorities and discretions vested in him.

8.11 Removal of Director. Any director may be removed by a majority vote of the shareholders.

8.12 Resignation of Director. A director may resign at any time by giving written notice to the Board. Unless otherwise specified in the notice, the resignation shall take effect upon receipt thereof by the Board and the acceptance of the resignation shall not be necessary to make it effective.

8.13 Presumption of Assent. A director of the corporation who is present at a meeting of the directors at which action on any corporate matter is taken shall be presumed to have assented to the action take unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the secretary of the corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favour of such action.

8.14 Execution of Instruments. Contracts, documents or any instruments in writing requiring the signature of the company shall be signed by any two directors provided that at least one of the director signatories is also the president or vice president of the company.

## IX.

### OFFICERS

9.1 Number. The officers of the Company shall be a president, vice president, a secretary and treasurer, each of whom shall be elected by the directors. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the directors. Any two or more offices may be held by the same person.

9.2 Election and Term of Office. The officers of the Company to be elected by the Board annually at the first meeting of the Board held after each Annual Meeting of the shareholders. Each officer shall hold office until his successor shall have been duly elected and shall have qualified or until his death or until he shall resign or shall have been removed in the manner hereinafter provided.

9.3 Removal. Any officer or agent elected or appointed by the Board may be removed by the Board whenever in their judgement the best interests of the corporation would be served thereby, but such removal shall be without prejudice to the contractual rights, if any, of the person so removed.

9.4 Vacancies. A vacancy in any office because of death, resignation, removal or disqualifications, may be filled by the Board for the unexpired portion of the term.

9.5 President. The president shall be the principal executive officer of the Company and, subject to the control of the directors, shall in general supervise and control all of the business and affairs of the corporation. He may sign, with the secretary or any other proper officer of the corporation thereunto authorized by the directors, and deeds, mortgages, bonds, contracts, or other instruments which the directors have authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the directors or by these by-laws to some other officer or agent of the Company, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of president and such other duties as may be prescribed by the directors from time to time.

9.6 Secretary. The secretary shall keep the minutes of the shareholders' and of the directors' meetings in one or more books provided for that purpose, see that all notices are duly given in accordance with the provisions of these By-laws or as required, and be custodian of the Company records.

9.7 Treasurer. If required by the directors, the treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the directors shall determine. He shall have charge and custody of and be responsible for all funds and securities of the Company; receive and give receipts for moneys due and payable to the Company from any source whatsoever, and deposit all such monies in the name of the Company in such banks, trust companies or other depositories as shall be selected in accordance with these By-laws and in general perform all of the duties incidental to the office of treasurer and such other duties as from time to time may assigned to him by the president or by the Board.

9.8 Salaries. The salaries of the officers shall be fixed from time to time by the Board and no officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the company.

X.

#### ACCOUNTS

The Board shall cause to be kept such books of account as are necessary to comply with the provisions of the Act. The books of account shall be kept at the office or at such other place as the Board thinks fit, and shall always be open to the inspection of the Board. Any director or shareholder shall have the right to inspect any account or book or document of the Company. The Board shall from time to time



in accordance with the provisions of the Act cause to be prepared and to be laid before an Annual Shareholders' Meeting such profit and loss accounts, balance sheets and reports as may be necessary.

## XI.

AUDITORS

Auditors may be appointed and their duties regulated in accordance with the provisions of the Act. Subject to the provisions of the Act, all acts done by any person acting as an auditor shall, as regards all persons dealing in good faith with defect in his appointment of that he was at the time of his appointment not qualified for appointment.

## XII.

LIQUIDATION

If the Company shall be wound up (whether the liquidation be voluntary, under the supervision of or by the Court) the Liquidator may, with the required authority, divide among the shareholders in specie or kind the whole or any part of the assets of the Company, and whether or not the assets shall consist of property of one kind or properties of different kinds, and may for such purpose set such value as he deems fair upon one or more classes of property, and may determine how such division shall be carried out as between the shareholders of different classes of shareholders. The Liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of shareholders and the Liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved.

## XIII.

AMENDMENTS

These By-laws may be altered, amended or repealed and new By-laws may be adopted by a vote of the shareholders representing the majority of all the shares issued and outstanding, at any Annual Shareholders' Meeting or at any Special Shareholders' Meeting when the proposed amendment has been set out in the notice of such meeting.

2818

XIV.

INITIAL DIRECTORS

The initial Board of Directors shall consist of the following members: JUSTIN SIMON, RICHARD O'DELL POULDEN and ANTIGUA MANAGEMENT & TRUST LTD.

2819



**GOVERNMENT OF ANTIGUA AND BARBUDA**

**APPLICATION**

TO: Supervisor of International Banks and Trust Corporations – Ministry of Finance

FOR AUTHORITY TO ORGANIZE AND OPERATE UNDER AN

International Banking Licence ☒ International Trust Licence ☐

**PURSUANT TO SECTION 230 OF THE INTERNATIONAL BUSINESS CORPORATIONS ACT 1982,  
No. 28 OF 1982.**

THE HANOVER BANK LIMITED

(Name of Proposed Licensee)

Justin Simon's Chambers, P.O. Box 1519, High Street, St. John's, Antigua

(Address of Proposed Licensee)

Date Submitted: \_\_\_\_\_

**PLEASE SUBMIT THIS APPLICATION AND ALL SUPPORTING DOCUMENTATION IN DUPLICATE  
ORIGINALS.**

**FOR OFFICIAL USE ONLY –**

Received: 10. 8. 92

Tentative Licence Granted: \_\_\_\_\_

Ordinary Licence Granted: 12. 8. 92

Denial: \_\_\_\_\_

Justin L. Simon

William Cooper

\_\_\_\_\_  
(Names of Organizer(s))

(hereinafter referred to as Applicant(s)), hereby apply to the Supervisor of International Banks and Trust Corporations, Ministry of Finance (hereinafter referred to as the Supervisor), pursuant to Section 230, International Business Corporations Act, 1982, No. 28 of 1982, for authority to organize and operate

## 4. Proposed directors of IBC (All organizers must be proposed directors of IBC):

(Name - Occupation)	(Address: City & State)
Justin L. Simon	Chambers, Gomez Building, St. John's, Antigua
Richard O'Dell Polden	19 Chiddingstone St. London SW6 3TQ England
Antigua Management & Trust Ltd.	P.O. Box 1407, St. John's, Antigua

## 5. Name, address and telephone number of person authorized by Applicants to receive correspondence for them:

6. Attach a list of all the subscribers to the capital stock of the IBC, showing name, place of residence, and number of shares subscribed to. Any changes in proposed subscribers shall be reported promptly to the Supervisor, and in any event, within 30 days prior to opening, whichever occurs first.

7. Are any of the proposed stockholders of five percent or more of the IBC's stock, other than directors and officers, connected with any other banking or trust institution by way of employment, directorship or ownership? If so, describe such relationship.

8. Submit biographical information for each proposed director, officer and subscriber to five percent or more of IBC's stock.

9. List the qualifications of the proposed directors and officers to operate an international or trust corporation successfully.

10. Are any of the proposed directors or officers of the IBC connected with any other bank or trust institution by way of employment, directorship or ownership? If so, describe such relationship.

11. Have any of the proposed directors, officers or proposed stockholders of five percent or more of the IBC's stock ever been charged with or convicted of any criminal offense? If so, give details, including status of case.

## THE HANOVER BANK LIMITED

(Name of Proposed International Business Corporation)

hereinafter referred to as "the IBC," under the following:

- ☒ International Bank Corporation Licence  
☐ International Trust Corporation Licence

## CERTIFICATE

The Applicants hereby certify that the information contained in this application is true and complete to the best of their knowledge and belief; further, the Applicants accept the responsibility of informing the Supervisor promptly of any changes in the information presented herein.

Executed this 10<sup>th</sup> day of August, 19 92.

(Name)

(Signature)

Justin L. Simon

William Cooper

If the IBC is to be controlled by a holding company, submit the signature and title of the holding company representative.

(Signature)

(Title)

(Holding Company)

NOTE: All organizers must sign the Certificate.

- Proposed name of IBC: The Hanover Bank Limited
- Proposed Address of IBC: Justin L. Simon's Chambers, P.O. Box 1519, High St., St. John's, Antigua.
- Proposed capitalization of IBC:
 

Capital: US\$1,000,000	No. of Preferred Shares: N/A
Surplus:	Par Value: N/A
	No. of Common Shares: 1,000,000
	Par Value: US\$1 each - US\$1,000,000



GOVERNMENT OF ANTIGUA AND BARBUDA

CERTIFICATE OF INCORPORATION  
AND GOOD STANDING

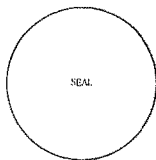
Pursuant to Section 9 of the International Business Corporations Act,  
1982, No. 28 of 1982, the undersigned hereby certifies that:

THE HANOVER BANK LIMITED

was incorporated under the laws of Antigua and Barbuda on the 12<sup>th</sup> day of  
AUGUST, 1992; is in good standing and enjoys all the rights, powers  
and privileges conferred by law consistent with the attached Articles of  
Incorporation.

A handwritten signature in dark ink, appearing to read "S. J. Lewis".

Director,  
International Business Corporations



Registered at St. John's, Antigua,  
this 12<sup>th</sup> of AUGUST, 1992.

2823

26-JUN-00 MON 21:55  
From: R O'D Poulden To: MAP

Date: 21/07/98 Time: 20:24:22

P. 3  
Page 1 of 2

**RICHARD O'DELL POULDEN**

**CURRICULUM VITAE**

**Age: 45**

**MA Jurisprudence: Oriel College, Oxford**

**MBA: London & Harvard Business Schools**

**Barrister-at-Law**

**Gloucestershire GL6 6XX**

Redacted information  
in Subcommittee Files

21-JUL-98 TUE 18:14

Tibbiwell House

P. 1

26-JUN-99 MON 21:55  
From: R O O Poulsen To: MAF

Date: 21/07/98 Time: 20:24:22

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### BUSINESS EXPERIENCE

#### **1987-96 Alliance Medical Director**

Co-Founder of Alliance Medical in 1987. Alliance is a provider of managed healthcare services to both the public and private sectors in the UK. Alliance was the first company to introduce mobile MRI (magnetic resonance imaging) into the UK. Through organic growth and acquisition the company is now the leading imaging company in the UK with 12 mobile units and three static installations. In the year to March 1996 the company made pre-tax profits of £2mil. Alliance is currently expanding into Europe both by organic growth and acquisition and increasing the services provided in the UK. In November 1996 the company was sold to an investor group backed by 3I and Bank of Tokyo.

#### **1986- JMI Seed Capital Chairman**

Initially a Non-Executive Director of the fund was appointed Executive Chairman from 1988 in order to complete a rescue of the JMI Group. JMI is a venture capital fund specialising in early stage investment or refinancing of companies where the management team or the strategy of a business is incomplete. The fund was fully invested by 1992 and is now in the realisation phase. During its investment phase JMI was involved in raising funds of circa £35m for investee companies. From a base of near collapse it has been brought to the status of one of the leading seed capital funds in the UK. JMI is due to make its final distribution to investors in June 1997.

#### **1991-3 Electronic Data Systems Director**

Electronic Data Systems, a subsidiary of General Motors, is the largest provider of information technology services in the world. Having joined as Commercial Director of the Manufacturing Division of EDS UK Ltd., a newly created position, built department with reporting groups including Sales, Sales Support and Manufacturing Consulting. Sales group was focused on acquisitions and restructuring of client companies through use of EDS technical skills and personal experience of strategy and finance. Appointed Director in the UK Leadership Team with expanded role and special projects responsibility. The latter included working in the UK and USA to restructure two EDS businesses into a single global SBU.



**1988-91 Wharfedale Wine Plc Chairman**

Co-founder of Wharfedale Wine in 1988 and executive Chairman for three years. During this time created, through a series of acquisitions, the UK's largest independent wine retailer. The group included Wharfedale Wine Plc, Majestic Wine Warehouses and Watson's Wines & Spirits. The group was built from start-up to £30m revenues in three years. Sold out in 1991 at the highest price paid for a Wharfedale Wine share.

**1983-88 Delfield Digital Chief Executive Officer**

Founded Delfield with others in April 1982 to develop a new range of modular digital PBX and ACD telephone systems. Initially acted as Non-Executive Chairman but took over as full time CEO from January 1983 to May 1987. Delfield developed the first digital PBX to gain type approval following liberalisation of the UK market and was the first UK company to licence a telephone switch to other European countries. The company was purchased by GEC in 1991.

**1980-83 Arthur D. Little Senior Consultant**

Senior Consultant in ADL's Strategy Consulting Practice based in London. Worked in a wide range of industries including natural gas, chemical processing, financial services, textiles, automotive and steel. Helped develop new strategic techniques including Resource Unit Planning and tactics for fragmented industries. With the head of ADL's London strategy practice launched a new European Financial Industries Group.

**1976-78 Samuel Montagu & Co Assistant Manager**

Assistant Manager in the Commercial Banking Division of one of the UK's leading merchant banks. Experience included credit analysis and preparation and design of facilities for companies in a wide spectrum of industries. Also responsible for recovery of property loans and the management of defaulted facilities. Secretary of New Business Committee which co-ordinated the marketing of the bank's various services. Selected in June 1977 as the sole new graduate employee at Montagu's to attend a short management programme at the London Business School.

## 1980 Harvard Business School MEA

1978-80 London Business School MBA

1975-76 Barrister-At-Law Inner Temple

1972-75 Oriel College, Oxford MA Jurisprudence

1965-70 Clifton College. Bristol

1961-63 West Downs, Winchester

1960-61 Maret School, Washington DC

26-JUN-00 MON 21:56  
From: R QD Poulton To: MAF

Date: 21/07/00 Time: 20:24:22

Page 5 of 5

### PERSONAL BACKGROUND

From 1980-1993 served on the Council and Executive Board of The Wildfowl & Wetlands Trust, Slimbridge Gloucestershire. This is an international conservation charity, founded by Sir Peter Scott, for the world-wide conservation of wildfowl and their wetland habitats. The President of the Council is HRH the Prince of Wales.

Trustee of the educational charity The Bristol Bond. Through the twinning of the city of Bristol with the Ghanaian fishing village of Gomeah Feta, the Bond aims to increase understanding between the two communities through education and to achieve sustainable development of the Feta region.

From travel and business dealings built up extensive contacts in various industries and services in America, Australia, the Far East and Africa.

Due to Father's job in the Foreign Office grew up with a broad cross section of people as regular company and spent extended period in the USA.

When young, jobs included merchant seaman, sugar cane cutter and star fish hunter. Sports include shooting, tennis and running.

Divorced. Two sons aged 11 and 8.

File ref: CV070497



**GOVERNMENT OF ANTIGUA AND BARBUDA**

**NOTICE OF APPOINTMENT, RESIGNATION OR  
REMOVAL OF DIRECTORS**

TO: DIRECTOR OF INTERNATIONAL BUSINESS CORPORATIONS

1. Name of Corporation: THE HANOVER BANK LTD.

2. Name and Address of Appointed Directors:

W. W. Cooper  
Paradise view  
St. John's, Antigua

M. A. Fitzpatrick  
Marlay Grove House  
Grange Road  
Dublin 16  
Ireland

3. Effective Date of Appointment: March 31, 1993

4. Name and Address of Directors Removed or who have Resigned:

Antigua Management & Trust Ltd.  
High Street, St. John's, Antigua

5. Effective Date of Resignation or Removal: March 31, 1993

Date: March 30, 1993

By: W. W. Cooper  
(Corporate Director)  
W. W. Cooper

UNANIMOUS CONSENT IN LIEU OF SPECIAL  
MEETING OF SHAREHOLDERS OF  
THE HANOVER BANK LIMITED  
AS OF MARCH 31, 1993

The undersigned being the sole shareholder of THE HANOVER BANK LIMITED., an Antigua and Barbuda corporation (the "Corporation"), hereby adopts the following resolution as of the date above written:

RESOLVED, that Antigua Management & Trust Ltd. be removed as director of the Corporation.

RESOLVED, that the following individuals be appointed directors of the Corporation:

W. W. Cooper, Paradise View, Antigua

M. A. Fitzpatrick, 82 Eaton Square, London SW1W 9AJ

Dated: March 30, 1993

THE HANOVER BANK LIMITED

By:  .....  
M. A. Fitzpatrick, Shareholder

CURRICULUM VITAE

NAME: Michael Anthony Fitzpatrick

ADDRESS: Marlay Grove House  
Grange Road  
Dublin 16

DATE OF BIRTH: 2 August 1940

PHONE No: London office 071 404 0415  
Home Dublin 932632

NATIONALITY: Irish

Aged 52, Mr Fitzpatrick is an experienced administrator and negotiator with excellent inter-personal skills who has international experience at the highest level in Journalism, Politics, Public Relations and Management Consultancy.

EMPLOYMENT HISTORY

January 1992 To Date	Hanover Nominees Ltd 100 Grays Inn Road, London WC1X 8AY
Job Title:	Managing Director
Job Description:	This is a marketing company subsidiary of The Hanover Bank. My duties include administration, costing and budget control, the identification of high net worth individuals as potential clients, and the marketing of the bank's services in Europe.
1991 to Date:	P.M. Holdings plc London
Job Title:	Managing Director
Job Description:	Operational control of this holding company, which has 300 shareholders and is presently being restructured and refinanced.

To present: M. A. Fitzpatrick Consultants Ltd  
95 St Stephen's Green, Dublin 2

Title: Managing Director

Job Description: Total administration control of this public relations and marketing company which has been considerably expanded in recent years and is now additionally involved in project management and mergers and acquisitions in various parts of the world.

1981-2 Press secretary Fianna Fail. I was a senior PR advisor to both the government and the Fianna Fail party, in and out of government, and was asked by Mr Charles Haughey to recommend the appointment of Head of Government Information and all other senior down-the-line information officers. I accompanied Mr Haughey as press secretary on the Taoiseach's official visit to New York and Washington in 1982. My work included speech writing and the co-ordination of advertising and publications. I left the job of my own accord to devote more time to the expansion of my consultancy company.

1979-80 Sunday Journal Ltd  
Dublin

Job Title: Managing Editor

Job Description: Complete editorial control of this weekly national newspaper, aimed at the agricultural community in Ireland, which I formed and financed.

1976-79 Sunday World Ltd  
Dublin

Job Title: Deputy Editor

Job Description: Control of editorial administration and newsroom budgets, appointment of all editorial staff, etc.

1973-76 Freelance journalist and author, working in various parts of the world for the U.K. national newspapers.

1972-73 Markpress, Geneva

Job Title: Manager, Dublin Office

Description: Markpress was appointed by the Taoiseach to handle overseas Public Relations for the Irish Government. Markpress disseminated information on Ireland through a network of offices throughout Europe. I was responsible for the Irish input into the system. During this period I was a member of a committee set up under the Taoiseach to formulate the government's PR strategy.

1967-72      Mirror Group Newspapers  
London

Job Title:      Reporter

Job Description: General reporting duties in Ireland and the U.K.

#### PERSONAL DETAILS

I am married with three children, Orla 22, Rhona 19 (both at University) and Colin 12.

I am a member of the fund-raising committee at St Columba's College, Dublin, which is raising approx IRE7 Million over a 10 year period for the redevelopment of the college and its grounds. Work began this year to coincide with the college's 150th anniversary celebrations.

I am also chairman of the fund-raising committee at the Divine Word NS, Dublin. Set up to provide funds to supplement the Department of Education grants.

#### EDUCATION

Rochdale Grammar School (5 'O' Levels) and Sunderland Technical College (Third level Diplomas in English and Central and Local Government).

#### INTERESTS

Current affairs, music, photography and all sports. I am a member of The Irish Club in London.





GOVERNMENT OF ANTIGUA AND BARBUDA

*Ministry of Finance  
International Business Corporation*  
HIGH STREET  
ST. JOHNS, ANTIGUA, W.I.  
Telephone: 462-5002 / 462-5015  
Telex No.: 2055 Finance AK  
FAX: 809 462-1622

March 24th 1997

Our Ref: IBC #1301

The Hanover Bank Limited  
c/o Justin L. Simon Esq.  
Registered Office/Agent  
Chambers  
Gomez Building  
High Street  
St. John's  
Antigua

Dear Sirs,

A review of our file shows that the Bank is in violation of several sections of the International Business Corporations Act under which it received a corporate charter, and an international banking licence was granted. These infringements are identified as follows:

(i) Annual Corporate Registration Fees

The company has failed to pay the above fee for the period beginning August 12th 1996 in accordance with Section 282 of the IBC Act.

(ii) Commencement of the Licence Activity.

The Company has failed to commence the international banking activities within (6) six months after the issuance of the Licence as required under Section 236 (1) (a) of the Act.

2834

-2-


Notice is hereby given that it is our intention to revoke the licence of the corporation, The Hanover Bank Limited under Section 236 of the Act as a result of the licensee contravention of the conditions listed above of the licence.

Notice is hereby given that unless the defaults identified above are remedied within (30) thirty days after the date of this notice, the corporation The Hanover Bank Limited will be struck off of the register under Section 335 of the Act.

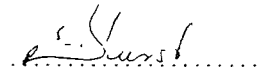
Should the corporation have good reason which it can state clearly in writing showing why it should not be struck off the register or why the licence should not be revoked, then it must do so with this office within ten (10) days of the date of this notice, failing which, we will have no alternative, but to implement the provisions of Sections 236 and 335 of Chapter 222 of the 1992 Edition of the Revised Laws of Antigua and Barbuda.

We look forward to your appropriate and timely response.

Respectfully,



Agnes James  
Supervisor  
International Banks & Trust Corporations



D. Keith L. Hurst  
Director  
International Business Corporations

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GOVERNMENT OF ANTIGUA AND BARBUDA

Ministry of Finance  
International Business Corporations

HIGH STREET  
ST. JOHNS, ANTIGUA, W.I.  
Telephone: 462-5002 / 462-~~5002~~ 3372  
Telex No.: 2055 Finance AK  
FAX: 609 482-~~5002~~ 3093  
March 26th 1997

Our Ref: IBC #1301

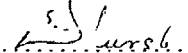
The Hanover Bank Limited  
c/o Justin L. Simon Esq.  
Registered Office/Agent  
Chambers  
Gomez Building  
High Street  
St. John's  
Antigua

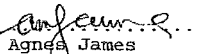
Dear Sirs,

This is to inform you that effective today, the Corporation has been struck off the Register of International Business Corporations as a result of the violation of section 335 (1) (a) of the IBC Act.

Consequent to the above the International Banking Licence which was granted to the corporation on August 12th 1992 has been simultaneously revoked resulting from a contravention of Section 236 (1) (a) and (b) of the said Act.

Respectfully

  
D. Keith L. Hurst  
Director  
International Business Corporations

  
Agnes James  
Supervisor  
International Banks&Trusts Corporations





# **Overview**

## **Offshore Financial Sector Planning**

### **Committee**

**Task Force I – Review Existing Offshore Banks**

**Task Force II -- Review Existing Legislation**

## **International Financial Sector Authority**

**Implement Legislative Initiative**

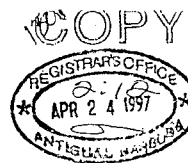
**Operation Clean Slate**



# Operation Clean Slate Targets

<b>American International Bank</b>	<b>Overseas Development Bank</b>
<b>Caribbean American Bank</b>	<b>European Federal Credit Bank</b>
<b>European Union Bank</b>	<b>Hanover Bank</b>
<b>Bank of Europe</b>	<b>Overseas Development Bank, Antigua</b>
<b>Banco Meridiano</b>	<b>Worldwide</b>
<b>Caribbean Bank of Commerce</b>	<b>International Bank</b>
<b>HAB Bank</b>	

IN THE HIGH COURT OF JUSTICE  
ANTIGUA AND BARBUDA  
A.D. 1997  
(Misc.)



In the Matter of section 236 of the  
International Business Corporations  
Act. Cap. 222 of the Laws of Antigua and Barbuda

BETWEEN:

**THE HANOVER BANK LIMITED**

Plaintiff

and

**THE SUPERVISOR, INTERNATIONAL BANKS  
& TRUST CORPORATIONS**

**THE DIRECTOR, INTERNATIONAL BUSINESS CORPORATIONS**

Defendants

To: **AGNES JAMES**, Supervisor, International Banks & Trust Corporations,  
Ministry of Finance, High Street, St. John's, Antigua.

**KEITH HURST**, Director, International Business Corporations, Ministry  
of Finance, High Street, St. John's, Antigua.

**LET THE DEFENDANTS** within 8 days after service of this  
Summons on them inclusive of the day of service, cause an appearance  
to be entered to this summons which is issued on the application of the  
Plaintiff, The Hanover Bank Limited of registered office situate at  
Gomez Building, High Street, St. John's, Antigua.

By this Summons the Plaintiff seeks the determination of the Court on  
the following questions namely -

1. whether the Director was entitled to strike the Plaintiff  
Corporation off the Register of International Business Corporations  
pursuant to section 335 (1) (a) of the International Business  
Corporations Act;

2. whether the Supervisor was entitled to revoke the banking  
licence of the Plaintiff Corporation pursuant to section 236 (1) (a) and  
(b) of the International Business Corporations Act without giving the  
Plaintiff Corporation notice in writing of such her intention; and

/2...

3. whether the acts of striking off the Register and the revocation of the banking licence of the Plaintiff Corporation was unlawful and contrary to the provisions of the International Business Corporations Act.

If the Defendants do not enter an appearance, such judgement may be given or order made against or in relation to them as the Court may think just and expedient.

Dated the 24th day of April, 1997.

This Summons was taken out by **JUSTIN L. SIMON** of Simon & Associates, Chambers, Gomez Building, High Street, St. John's, Antigua, solicitors for the Plaintiff whose address for service is the same





**GOVERNMENT OF ANTIGUA AND BARBUDA**

**C E R T I F I C A T E**

OF

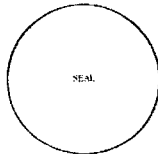
REINSTATEMENT OF CORPORATION

Pursuant to Section 335 (5) of the International Business Corporations Act, NO 28 of the 1992 Edition of the Revised Laws of Antigua and Barbuda, by a High Court ruling dated may 30th 1997, the undersigned hereby certifies that:

**THE HANOVER BANK LIMITED**

Which was struck off the REGISTER AND LICENCE revoked on March 26th, 1997 has been reinstated with full power from date of original registration and licensing which was August 12th, 1992.

REGISTERED



..... *L. S. Lursb* .....  
 Director  
 International Business Corporations

Issued at St. John's, Antigua,  
 this 30<sup>th</sup> day of *MAY*, 1997

26-JUN-00 MON 21:54

P. 2

**THE HANOVER BANK LIMITED****NOTICE TO CUSTOMERS****POLICY STATEMENT ON THE OPENING AND CONDUCT OF ACCOUNTS****Preliminary**

1. This policy statement is prepared in response to a letter from the Ministry of Finance of the Government of Antigua and Barbuda dated August 11, 1997.

**Opening and Conduct of Customer Accounts**

2. Customers must supply one reference from another banking institution covering the customer's banking history for at least 5 years. In addition, the customer must supply two professional references, by whom the customer has been known for at least 10 years.
4. In respect of a corporation, the same references must be supplied for each director as well as for the corporation itself.
5. In respect of a partnership, the same references must be supplied for each partner as well as for the firm itself.
6. In respect of a trust, the same references must be supplied for the settlor and each trustee.
7. Each and every signatory or proposed signatory of an account :-
  - (1) must be personally interviewed by a Bank officer prior to the opening of the account
  - (2) the required account opening forms must be completed
  - (3) the original of each signatory's passport must be inspected and a copy taken for the Bank's file and
  - (4) a notarised statutory declaration, duly legalized, as to beneficial ownership of funds to be paid into the account, must be completed.
8. Cash transactions are prohibited.
9. All transactions in excess of USD 5,000 in value have to be authorized beforehand by a bank officer. All transactions in excess of USD 50,000 have to be personally authorized by a bank director.

For and on behalf of  
THE HANOVER BANK LIMITED

Signed:

M.A. Fitzpatrick  
Managing Director

St. John's, Antigua, W.I.  
September 22, 1997

2843

## INTERNATIONAL BUSINESS CORPORATIONS ACT, 1982

FORM 5

## NOTICE OF DIRECTORS

OR

## NOTICE OF CHANGE OF DIRECTORS

(SECTION 67 (7) &amp; 129)

Redacted information  
in Subcommittee Files

FSC no. 1301

NAME OF CORPORATION THE HANOVER BANK LIMITED 2. Corporation

The following persons became directors of this Corporation:

Effective Date:

Name	Residential Address	Occupation	Citizenship	Effective Date:
PETER COSTER	Southend-on-Sea, Essex SS1 3PT (UK)	Financial Consultant	UK	October 7 <sup>th</sup> 1997

The following person ceased to be directors of this Corporation:

Effective Date:

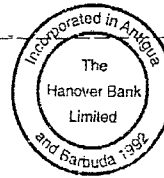
Name	Residential Address	Occupation	Citizenship	Effective Date:
C. Peter CRAWSHAY	Essex CB10 2AS	Bank Manager	UK	October 7 <sup>th</sup> 1997

The directors of this corporation now are:

Effective Date:

Name	Residential Address	Occupation	Citizenship
Michael A. FITZPATRICK	Pine Heights, Cookstown Rd, Enniskerry, Co Wicklow, Ireland.	Management Consultant	Ireland
Justin L. Simon	St. John's, Antigua.	Barrister at law	Antigua.
Peter Coster	Southend-on-Sea, Essex SS1 3PT	Financial Consultant.	UK.

Date	Signature	Description of Office
January 22 '98	<i>[Signature]</i>	Secretary



THE HANOVER BANK LIMITEDDIRECTORS AND OTHER INFORMATIONFOR THE YEAR ENDED 31 DECEMBER 1997

**DIRECTORS:** Michael A. Fitzpatrick (Chairman)  
 Peter Crawshaw (resigned 7.10.97)  
 Justin L. Simon  
 Peter Coster (appointed 7.10.97)

**SECRETARY:** Michael A. Fitzpatrick

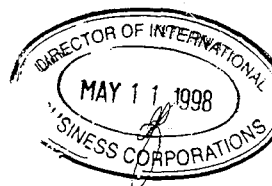
**AUDITORS:** VAGHELA UNADKAT & CO  
 Chartered Certified Accountants  
 & Registered Auditors  
 12 The Wharf  
 Bridge Street  
 Birmingham B1 2JS

**SOLICITORS:** SIMON, FULLER & CO  
 Chancellor Chambers  
 Newgate Street  
 St. John's  
 Antigua, W.I.

FINERS  
 Solicitors  
 179 Gt. Portland Street  
 London WIN 5FD

**BANKERS:** OVERSEAS DEVELOPMENT BANK LTD  
 Woods Centre  
 Friars Hill Road  
 P.O. Box 2480  
 St. John's  
 Antigua, W.I.

**REGISTERED OFFICE:** c/o SIMON, FULLER & CO  
 Chancellor Chambers  
 Newgate Street  
 St. John's  
 Antigua, W.I.

THE HANOVER BANK LIMITEDDIRECTORS REPORT (CONTINUED)**5. POST BALANCE SHEET EVENTS**

Subsequent to the year end, the Bank was appointed as custodian for the Niche Market Group of offshore mutual funds. The Niche Group provides opportunities to professional investors to participate in various international capital markets, including equities, derivatives and real estate.

During the current year it is intended to increase the Bank's share capital and to widen its ownership to include additional investors. This will further strengthen the Bank's balance sheet and facilitate the continued growth of its business and the range of financial products and services available to its customers.

As part of the Bank's expanding operations, two new appointments to the Board of Directors have also been made. Mr. Richard O'Dell Poulden has been appointed Chairman. Mr. Poulden is a graduate of Oxford University and is Harvard MBA. In addition to his professional career as a barrister-at-law, Mr. Poulden is a successful entrepreneur having founded and operated a number of companies in various industries, including telecommunications, health care, and retailing. He is currently Chairman of a Channel Islands based venture capital fund as well as an advisor to various other international funds.

Mr. Theodorr Tsuru, who has also been appointed to the Board, is a graduate in economics and jurisprudence of Fukuoka University, Japan, and has extensive international capital markets experience. He was the founder of his own trading house based in Japan and Hong Kong and has acted as an advisor to several major international corporations in the Pacific on banking and finance.

**6. AUDITORS**

At the last annual meeting, it was resolved that the Bank appoint Pannell Kerr Forster, Chartered Accountants, Antigua, as auditors. However, for administrative reasons this appointment has not yet taken effect and for the period ended 31 December 1997, the auditors of the Bank remain Vaghela Unadkat & Co, Chartered Certified Accountants, UK. At a meeting of the Board held on 30 March 1998, it was resolved that Pannell Kerr Forster, Antigua, be appointed auditors for the financial year 1998.

By Order of the Board

A handwritten signature in dark ink, appearing to read "M.A. Fitzpatrick".

M.A. Fitzpatrick  
Secretary

AUDITORS REPORTTO THE SHAREHOLDERS OFTHE HANOVER BANK LIMITED

We have audited the balance sheet of The Hanover Bank Limited as at 31 December 1997, and the statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

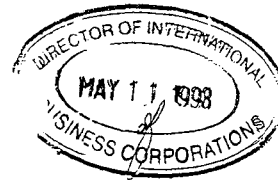
We conducted audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statements presentation.

In our opinion, these financial statements present fairly, in all material respect, the financial position of the Bank as at 31 December 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

VAGHELA UNADKAT & CO  
Chartered Certified Accountants  
& Registered Auditors  
Birmingham  
England, United Kingdom

A large, stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke.

DATE: 28 April 1998



THE HANOVER BANK LIMITED


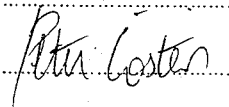
PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1997

	US \$	US \$	1996 US \$	US \$
Fee income		1325829		180165
Interest receivable		1182277		404
		<u>2508106</u>		<u>180569</u>
LESS EXPENSES:-				
Directors remuneration	35000		60000	
Management charges	124500		35000	
Travel & administration	93108		7817	
Commissions & consultancy fees	275965		35600	
Legal & licence fees	48300		28800	
Audit & accountancy fees	15000		10000	
Interest payable	561894		379	
		<u>1153767</u>		<u>177596</u>
Net profit for the year		1354339		2973
Transfer to provisions account		814163 ✓		-
Net profit after provisions		<u>540176</u>		<u>2973</u>
Dividends payable		350000 ✓		-
Net profit after dividends		<u>190176</u>		<u>2973</u>
Profit and loss account brought forward		<u>48952</u>		<u>45979</u>
Profit and loss account carried forward		<u>\$239128</u>		<u>\$48952</u>

THE HANOVER BANK LIMITEDBALANCE SHEET AS AT 31 DECEMBER 1997

	US \$	US \$	1996 US \$	US \$
<b>CURRENT ASSETS</b>				
Cash & inter bank deposits	1222480		1192252	
Government securities	998150		-	
Other listed securities	4103493		-	
Bills of exchange	6448180		-	
Loans and advances	3409095		-	
Accounts receivables	-		10000	
	<u>16181398</u>		<u>1202252</u>	
<b>CURRENT LIABILITIES</b>				
Customers deposits accounts	13947807		125000	
Accrued expenses	80300		28300	
Unpaid dividends	100000		-	
	<u>14128107</u>		<u>153300</u>	
<b>NET CURRENT ASSETS</b>		<u>\$2053291</u>		<u>\$1048952</u>
<b>FINANCED BY :-</b>				
Issued share capital (Note 2)	1000000		1000000	
Profit and loss account	239128		48952	
Provision account	814163		-	
		<u>\$2053291</u>		<u>\$1048952</u>

  
  
 DIRECTORS

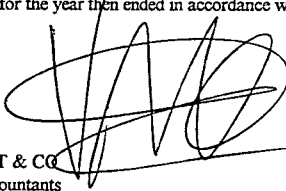


AUDITORS REPORTTO THE SHAREHOLDERS OFTHE HANOVER BANK LIMITED

We have audited the balance sheet of The Hanover Bank Limited as at 31 December 1998, and the statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statements presentation.

In our opinion, these financial statements present fairly, in all material respect, the financial position of the Bank as at 31 December 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.



VAGHELA UNADKAT & CO  
Chartered Certified Accountants  
& Registered Auditors  
Birmingham  
England, United Kingdom

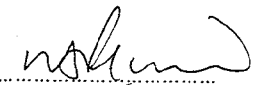
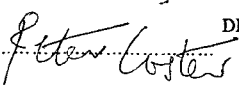
DATE: 29 March 1999

THE HANOVER BANK LIMITEDPROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31 DECEMBER 1998

	US \$	US \$	1997 US \$	US \$
Fee income		965518		1325829
Interest receivable		1469525		1182277
		<u>2435043</u>		<u>2508106</u>
LESS EXPENSES:-				
Directors remuneration	26269		35000	
Management charges	82000		124500	
Travel & administration	71108		93108	
Commissions & consultancy fees	344283		275965	
Legal & licence fees	28004		48300	
Audit & accountancy fees	15000		15000	
Interest payable	645576		561894	
Foreign exchange trading losses	186840		-	
		<u>1399080</u>		<u>1153767</u>
Net profit for the year		1035963		1354339
Transfer from/(to) provisions account		814163		(814163)
Net profit after provisions		1850126		540176
Dividends paid		1895534		350000
Net profit/(loss) after dividends		(45408)		190176
Profit and loss account brought forward		239128		48952
Profit and loss account carried forward		<u>\$193720</u>		<u>\$239128</u>

THE HANOVER BANK LIMITEDBALANCE SHEET AS AT 31 DECEMBER 1998

	US \$	US \$	1997 US \$	US \$
<b>CURRENT ASSETS</b>				
Cash & inter bank deposits	152315		1222480	
Government securities	-		998150	
Other listed securities	-		4103493	
Bills of exchange	657935		6448180	
Loans and advances	557928		3409095	
Accounts receivables	5000		-	
Promisory notes	4000000		-	
Certificates of deposits	500000		-	
	<u>5873178</u>		<u>16181398</u>	
<b>CURRENT LIABILITIES</b>				
Customers deposits accounts	649458		13947807	
Accrued expenses	30000		80300	
Unpaid dividends	-		100000	
	<u>679458</u>		<u>14128107</u>	
<b>NET CURRENT ASSETS</b>		<u>\$5193720</u>		<u>\$2053291</u>
<b>FINANCED BY :-</b>				
Issued share capital (Note 2)	5000000		1000000	
Profit and loss account	193720		239128	
Provision account	-		814163	
	<u>\$5193720</u>		<u>\$2053291</u>	

  
 .....  
  
 ..... DIRECTORS

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## INTERNATIONAL BUSINESS CORPORATIONS ACT, 1982

## FORM 5

## NOTICE OF DIRECTORS

OR

## NOTICE OF CHANGE OF DIRECTORS

(SECTION 67 (7) &amp; 129)

Redacted information  
in Subcommittee FilesNAME OF CORPORATION THE HANOVER BANK LIMITED 2. Corporation IBC 1301

The following persons became directors of this Corporation:

Effective Date:

Name	Residential Address	Occupation	Citizenship	Effective Date:
Mohammad JAWAD	[REDACTED]	Investment banker	Uk	Nov. 20 199
MICHAEL GERSTEN	Essex SS9 8XB Kingston, Surrey KT2 5BD	Management consultant	Germany	Nov. 20 199

The following person ceased to be directors of this Corporation:

Effective Date:

Name	Residential Address	Occupation	Citizenship	Effective Date:
Peter Coster	[REDACTED] Southend-on-Sea. Essex SS1 3PT	Investment manager	Uk	April 5, 199

The directors of this corporation now are:

Effective Date:

Name	Residential Address	Occupation	Citizenship	Effective Date:
Michael A. Fitzpatrick	[REDACTED] Dublin 18, Ireland	Management consultant	Irish	Nov. 20 1999
Justin L. Simon	St. John's, Antigua	Lawyer	Dominica	
Mohammad JAWAD	[REDACTED] Shoeburyness, Essex Uk	Investment banker	Uk	
Michael Gersten	[REDACTED] Kingston, Surrey	Management consultant	Germany	

Date	Signature	Description of Office
20-1-2000	[Signature]	Secretary

**AUDITORS REPORT****TO THE SHAREHOLDERS OF****THE HANOVER BANK LIMITED**

We have audited the balance sheet of The Hanover Bank Limited as at 31 December 1999, and the statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statements presentation.

In our opinion, these financial statements present fairly, in all material respect, the financial position of the Bank as at 31 December 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.



VAGHELA & CO  
Chartered Certified Accountants  
& Registered Auditors  
Birmingham  
England, United Kingdom

DATE: 31 March 2000

THE HANOVER BANK LIMITEDPROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31 DECEMBER 1999

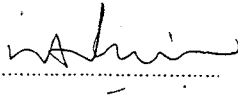
	US \$	US \$	1998 US \$	US \$
Fee income		118796		965518
Interest receivable		283475		1469525
		<u>402271</u>		<u>2435043</u>
LESS EXPENSES:-				
Directors remuneration	30000		26269	
Management charges	60000		82000	
Travel & administration	36771		71108	
Commissions & consultancy fees	24000		344283	
Legal & licence fees	32542		28004	
Audit & accountancy fees	7500		15000	
Interest payable	-		645576	
Foreign exchange trading losses	-		186840	
		<u>190813</u>		<u>1399080</u>
Net profit for the year		211458		1035963
Transfer from provisions account		-		814163
Net profit after provisions		<u>211458</u>		<u>1850126</u>
Dividends paid		-		1895534
Net profit/(loss) after dividends		211458		(45408)
Profit and loss account B/F		<u>193720</u>		<u>239128</u>
Profit and loss account C/F		<u>\$405178</u>		<u>\$193720</u>

2855

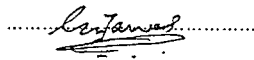
**THE HANOVER BANK LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 1999**

	US \$	US \$	1998 US \$	US \$
<b>CURRENT ASSETS</b>				
Cash & inter bank deposits	66332		152315	
Bills of exchange	657935		657935	
Loans and advances	627953		557928	
Account receivables	-		5000	
Promissory notes	4211583		4000000	
Certificates of deposits	500000		500000	
	<u>6063803</u>		<u>5873178</u>	
<b>CURRENT LIABILITIES</b>				
Customers deposit accounts	563392		649458	
Accrued expenses	11300		30000	
Directors loan accounts	83933		-	
	<u>658625</u>		<u>679458</u>	
<b>NET CURRENT ASSETS</b>		<u>\$5405178</u>		<u>\$5193720</u>
<b>FINANCED BY :-</b>				
Issued share capital (Note 2)		5000000		5000000
Profit and loss account		405178		193720
		<u>\$5405178</u>		<u>\$5193720</u>



DIRECTORS



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WED 17:47 M A FITZPATRICK

S. O. I.



Redacted information  
in Subcommittee Files

February 16, 1994.

by fax

Ms Lorraine Clark,  
Banking Supervisor,  
Standard Bank Inv. Corp.  
Jersey, CI.

Dear Ms Clark.

Re: Account no. [REDACTED], The Hanover Bank Limited.

Further to our recent discussions, would you please convert the  
outstanding balance of \$50,673.97 into US dollars and send by  
wire transfer immediately to:

Bank of America,  
335 Madison Avenue,  
New York, NY 10017

Routing no: 026-009593

for credit account 298-52014 in the name of AMERICAN  
INTERNATIONAL BANK LIMITED for further credit THE HANOVER BANK  
LIMITED number 436545.

I understand that a previously issued cheque for \$50,673.97,  
which was not received by us, has now been stopped.

Thank you for your courteous co-operation.

Yours sincerely,

*M.A. Fitzpatrick*  
M.A. FITZPATRICK  
Managing Director.

RECEIVED	
CHECKED	COF
	COF
DATE	17/2/94

USD  
Pay 74,396.54

UNIT 2, REDCLIFFE QUAY, ST. JOHN'S, ANTIGUA, W.I. TEL: (+1-809) 462 4317 FAX: 462 1450.



2857

Senate Permanent Subcommittee  
On Investigations  
EXHIBIT # 58b

**Exhibit 58b.**

**Harris Bank International  
and  
Standard Bank Jersey Ltd. documents**

**HANOVER BANK TRANSACTIONS  
USING STANDARD BANK'S U.S. CORRESPONDENT ACCOUNT  
AT HARRIS BANK INTERNATIONAL  
APRIL-JULY 1998**

<b>MONTH</b>	<b>OPENING BALANCE</b>	<b>DEPOSITS</b>	<b>WITHDRAWALS</b>	<b>CLOSING BALANCE</b>
APRIL	\$0	\$6,781,409	\$3,265,545	\$3,515,864
MAY	\$3,515,864	\$431,800	\$525,000	\$3,422,664
JUNE	\$3,422,664	\$10,180,635	\$10,099,985	\$3,503,314
JULY	\$3,503,314	\$30,925	\$0	\$3,534,239
<b>TOTAL</b>		<b>\$17,424,769</b>	<b>\$13,890,530</b>	

Data based upon information provided by Standard Bank Jersey Ltd. and attached to 6/14/00 letter to Harris Bank International Corporation from Jonathan Speck of Mourant de Feu & Jeune.

Prepared by U.S. Senate Permanent Subcommittee of Investigations, November 2000

Source: [All Sources](#) : / . . . / : [The Bankers' Almanac](#) ⓘ  
 Terms: [harris bank](#) ([Edit Search](#))

*The Bankers' Almanac Harris Bank International Corp*

[Previous Step](#)

♦ [Exit](#)

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 The Bankers' Almanac

**Harris Bank** International Corp

430 Park Avenue, New York City, NY 10022, USA

Tel: +1 212 7152600 Fax: +1 212 7589847

Tlx: WUI 668785, WUI 662435; Swift: HATR US 33; ABA: 026007760

**LENGTH:** 108 words

**TABLE OF CONTENTS:**

Company Info  
 Executives  
 Foreign Branches  
 Subsidiaries

\*\*\*\*\* COMPANY INFORMATION \*\*\*\*\*

**SHAREHOLDERS:** Harris Trust and Savings Bank, Chicago (100%)

**DESCRIPTION:**

Branches: Nil

**HISTORY:** Established 1971.

\*\*\*\*\* EXECUTIVES \*\*\*\*\*

Edward W Lyman, President  
 Gerald R Daly, Vice-President & General Manager  
 Thomas W Avansino, Vice-President & Operations Manager  
 Maria Tsarnas-Antokas, Vice-President

\*\*\*\*\* FOREIGN BRANCHES \*\*\*\*\*

COUNTRY: United Kingdom; TOWN: London (Representative Office)

\*\*\*\*\* SUBSIDIARIES \*\*\*\*\*

Associated Companies:  
 Harris Trade Service Ltd, Hong Kong

**LANGUAGE:** English

1. The Bankers' Almanac, A/S Vereinsbank Riga, 63 Elizabetes iela, LV-1050 Riga, Latvia, 1248 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Oslo: Christiania ...  
 ... No: 36142772. USD: Harris Bank International Corp New York ...
  
2. The Bankers' Almanac, ABSA Bank Ltd, 3rd Floor, ABSA Towers, 160 Main Street, Johannesburg 2001, GTG, South Africa, 3396 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Oslo: Den ...  
 ... 289 313. USD: Harris Bank International Corp New York ...
  
3. The Bankers' Almanac, Banca dell'Umbria 1462 SpA, Corso Vannucci 39, 06100 Perugia, Italy, 5293 words, February 23, 2000  
 ... New York City: Harris Bank International Corp New York ...  
 ... 3N NYC. USD: Harris Bank International Corp New York ...
  
4. The Bankers' Almanac, Banco de Costa Rica, Apartado Postal 10035-1000, Avenida 2da. y central, Calles 4 y 6, San Jose, Costa Rica, 5902 words, February 23, 2000  
 ... Bank PLC London: Harris Bank International Corp London: Lloyds ...  
 ... PLC London. GBP: Harris Bank International Corp London. GBP: ...
  
5. The Bankers' Almanac, Banco Urquijo SA, Principe de Vergara 131, 28002 Madrid, Spain, 3085 words, February 23, 2000  
 ... New York City: Harris Bank International Corp New York ...  
 ... 33. USD (Commercial): Harris Bank International Corp New York ...
  
6. The Bankers' Almanac, Bank Ekspres AS, Istinye Yukusu, Istinye, 80860 Istanbul, Turkey, 3479 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Oslo: Christiania ...  
 ... No: 04164635. USD: Harris Bank International Corp New York ...
  
7. The Bankers' Almanac, Bank Kreiss AG, Mainzer Landstr 46, 60325 Frankfurt am Main, Germany, 1880 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Oslo: Den ...  
 ... 20001935-34041. USD: Harris Bank International Corp New York ...
  
8. The Bankers' Almanac, Bank of Montreal Asia Ltd, 150 Beach Road, 26-01 Gateway West, Singapore 189720, Singapore, 1359 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Paris: Banque ...  
 ... No: 00100098126. USD: Harris Bank International Corp New York ...
  
9. The Bankers' Almanac, Bank Winter & Co AG, Singerstrasse 10, 1011 Vienna, Austria, 1049 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Oslo: Den ...  
 ... SE SS. USD: Harris Bank International Corp New York ...
  
10. The Bankers' Almanac, Bankgesellschaft Berlin International SA, 30 boulevard Royal, L-2449 Luxembourg, Luxembourg, 1835 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Paris La ...
  
11. The Bankers' Almanac, Bergensbanken ASA, P.O. Box 892, Allehelgens gate 4, N-5808 Bergen, Norway, 3097 words, February 23, 2000  
 ... New York City: Harris Bank International Corp New York ...  
 ... 3N NYC. USD: Harris Bank International Corp New York ...
  
12. The Bankers' Almanac, Brown, Shipley & Co Ltd, Founders Court, Lothbury, London, EC2R 7HE, UK, 1521 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Oslo: Den ...  
 ... No: 0109333357. USD: Harris Bank International Corp New York ...

13. The Bankers' Almanac, Demirbank TAS, Buyukdere Cad No 2, 1 Levent, 80620 Istanbul, Turkey, 3062 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Oslo: Den ...  
 ... No: 2000191211874. USD: Harris Bank International Corp New York ...
14. The Bankers' Almanac, Egnatia Bank SA, 4 Danaidon St, GR 546 26 Thessaloniki, Greece, 2718 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Nicosia: Bank of ...  
 ... No: 04037855. USD: Harris Bank International Corp New York ...
15. The Bankers' Almanac, Ekvator Banka ad Banja Luka, P.O. Box 59, Marije Bursac 2, 78000 Banja Luka, Srpska (Republic of), Bosnia-Herzegovina, 2419 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Nicosia: Beogradska ...  
 ... 33-128768. USD: Harris Bank International Corp New York ...
16. The Bankers' Almanac, Finansbank AS, Buyuekdere Cad No 129, Mecidiyekoy, 80300 Merkez, Istanbul, Turkey, 7462 words, February 23, 2000  
 ... New York City: Harris Bank International Corp New York ...  
 ... York City. USD: Harris Bank International Corp New York ...
17. The Bankers' Almanac, First Merchant Bank OSH Ltd, 25 Serif Arzik Street, North Cyprus, Lefkosa, Nicosia, Cyprus, 1319 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Nicosia: Asbank ...  
 ... 005277-001. USD: Harris Bank International Corp New York ...
18. The Bankers' Almanac, Fokus Bank ASA, Vestre Rosten 77, N-7466 Trondheim, Norway, 4150 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Paris: Banque ...  
 ... US 33. USD: Harris Bank International Corp New York ...
19. The Bankers' Almanac, Forstaedernes Bank A/S (FB Bank Copenhagen A/S), P.O. Box 58, Malervangen 1, DK-2600 Glostrup, Denmark, 2422 words, February 23, 2000  
 ... New York City: Harris Bank International Corp New York ...  
 ... 005750-001. USD: Harris Bank International Corp New York ...
20. The Bankers' Almanac, GE Capital Woodchester Bank Limited, Woodchester Hse, Golden Lane, Dublin 8, Co Dublin, Ireland, 1804 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Oslo: Den ...  
 ... No: 11076524001000. USD: Harris Bank International Corp New York ...
21. The Bankers' Almanac, Harris Bank International Corp, 430 Park Avenue, New York City, NY 10022, USA, 108 words, February 23, 2000
22. The Bankers' Almanac, Harris Trust and Savings Bank, 111 West Monroe Street, Chicago, IL 60603, USA, 2508 words, February 23, 2000  
 ... Wholly-owned Subsidiaries: Harris Bank International Corp, New York ...
23. The Bankers' Almanac, HYP0 Alpe-Adria-Bank AG, P.O. Box 517, Alpen-Adria-Platz 1, 9020 Klagenfurt, Austria, 2658 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Oslo: Union ...  
 ... No: 36009066. USD: Harris Bank International Corp New York ...
24. The Bankers' Almanac, Hypo Alpe Adria Bank Italia SpA, Viale Venezia 100, 33100 Udine, Italy, 2162 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Oslo: Den ...  
 ... No: 734269. USD: Harris Bank International Corp New York ...

25. The Bankers' Almanac, M.M. Warburg & Co Luxembourg SA, 2 Place Dargent, L-1413 Luxembourg, Luxembourg, 546 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Zuerich: Credit ...  
 ... ELS/TARGET. USD: Harris Bank International Corp New York ...
26. The Bankers' Almanac, The Mitsubishi Trust and Banking Corp, 1-4-5 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan, 2822 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Oslo: Den ...  
 ... 3N NYC. USD: Harris Bank International Corp New York ...
27. The Bankers' Almanac, N M Rothschild & Sons (Australia) Limited, Level 16, 1 O'Connell Street, Sydney, NSW 2000, Australia, 1414 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Port Moresby: ...  
 ... No: 0121852862. USD: Harris Bank International Corp New York ...
28. The Bankers' Almanac, N M Rothschild & Sons (Hong Kong) Ltd, 16th Floor, Alexandra Hse, Chater Rd, Central, Hong Kong, Hong Kong, 1324 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Singapore: Standard ...  
 ... No: 00100030513. USD: Harris Bank International Corp New York ...
29. The Bankers' Almanac, Nikko Bank (Luxembourg) SA, 112 route d'Arlon, L-1150 Luxembourg, Luxembourg, 1390 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Paris: Union ...  
 ... No: 1013338472. USD: Harris Bank International Corp New York ...
30. The Bankers' Almanac, Norresundby Bank A/S, Torvet 4, DK-7400 Norresundby, Denmark, 3015 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Oslo: Christiania ...  
 ... No: 8900101814. USD: Harris Bank International Corp New York ...
31. The Bankers' Almanac, Oversea-Chinese Banking Corp Ltd (OCBC Bank), Level 13, OCBC Centre, 65 Chulia St, Singapore 049513, Singapore, 2516 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Paris: Credit ...  
 ... York City. USD: Harris Bank International Corp
32. The Bankers' Almanac, RBSI Custody Bank Limited, P.O. Box 451, Liberté House, 19-23 La Motte St, St. Helier, Jersey JE4 5RL, Channel Islands, 2239 words, February 23, 2000  
 ... Limited, Cover Payment to Harris Bank International Corp, New York, ...
33. The Bankers' Almanac, Riggs Bank Europe Ltd, 21 Great Winchester Street, London, EC2N 2HH, UK, 1733 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Oslo: Christiania ...  
 ... SG SG. USD: Harris Bank International Corp New York ...
34. The Bankers' Almanac, Roskilde Bank A/S, P.O. Box 39, Algade 14, 4000 Roskilde, Denmark, 2941 words, February 23, 2000  
 ... New York City: Harris Bank International Corp New York ...  
 ... TH BK. USD: Harris Bank International Corp New York ...
35. The Bankers' Almanac, Sanpaolo Bank (Austria) AG, Trattnerhof 1/2, A-1010 Vienna, Austria, 740 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Stockholm: Svenska ...  
 ... publ Stockholm. USD: Harris Bank International Corp New York ...
36. The Bankers' Almanac, SG Hambros Bank and Trust Limited, SG House, 41 Tower Hill, London, EC3N 4SG, UK, 3060 words, February 23, 2000

... New York City: Harris Bank International Corp Oslo: Den ...  
 ... acct no): USD: Harris Bank International Corp New York ...

37. The Bankers' Almanac, SG Hambros Bank & Trust (Gibraltar) Limited, P0 Box 375, Hambro House, 32 Line Wall Road, Gibraltar, Gibraltar, 1621 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Oslo: Den ...  
 ... 522 52. USD: Harris Bank International Corp New York ...

38. The Bankers' Almanac, SG Hambros Bank & Trust (Guernsey) Limited, Hambro House, St. Julian's Avenue, St. Peter Port, Guernsey GY1 3AE, Channel Islands, 2421 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Oslo: Den ...  
 ... 001027754-001. USD: Harris Bank International Corp New York ...

39. The Bankers' Almanac, SG Hambros Bank & Trust (Jersey) Ltd, P0 Box 78, 13 Broad Street, St. Helier, Jersey JE4 8PR, Channel Islands, 2073 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Oslo: Den ...  
 ... No: 10162.0081.019. USD: Harris Bank International Corp New York ...

40. The Bankers' Almanac, Sparebanken Hedmark, Torggaten 12-14, 2300 Hamar, Norway, 2214 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Norresundby: Norresundby ...  
 ... SE 55. USD: Harris Bank International Corp New York ...

41. The Bankers' Almanac, Sparebanken Midt-Norge, Sondregate 4, 7467 Trondheim, Norway, 2675 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Paris: Barclays ...  
 ... US 3N. USD: Harris Bank International Corp New York ...

42. The Bankers' Almanac, Sparebanken Vest, Kaigaten 4, N-5016 Bergen, Norway, 1957 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Oslo: Den ...  
 ... SG 56. USD: Harris Bank International Corp New York ...

43. The Bankers' Almanac, Standard Bank Jersey Limited, P0 Box 583, One Waverley Place, St. Helier, Jersey JE4 8XR, Channel Islands, 2581 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Oslo: Den ...  
 ... no 100021471. USD: Harris Bank International Corp New York ...

44. The Bankers' Almanac, The Sumitomo Trust & Banking Co Ltd, 5-33 Kitahama 4-chome, Chuo-ku, Osaka 540-8639, Japan, 3585 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Oslo: Den ...  
 ... 1-529104. USD: Harris Bank International Corp New York ...

45. The Bankers' Almanac, Svenska Handelsbanken SA, 146 Boulevard de la Petrusse, LU-2330 Luxembourg, Luxembourg, 2251 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Oslo: Svenska ...  
 ... AKBK TR IS. USD: Harris Bank International Corp New York ...

46. The Bankers' Almanac, Tercas - Cassa di Risparmio della Provincia di Teramo SpA (Cassa di Risparmio della Provincia di Teramo SpA), P0 Box 126, Corso S. Giorgio 36, I-64100 Teramo, Italy, 4156 words, February 23, 2000  
 ... New York City: Harris Bank International Corp Oslo: Den ...  
 ... York City. USD: Harris Bank International Corp

Harris Bank  
International Corporation

430 Park Avenue  
New York, New York 10022

Telephone (212) 715-2600  
FAX (212) 758-9847  
(212) 715-2634



June 15, 2000

Elise Bean  
United States Senate  
Permanent Subcommittee on Investigations  
Minority Office  
193 Russell Senate Office Building,  
Washington, D.C. 20510

Dear Ms. Bean:

We enclose for your review, relevant information you requested in schedule A of your subpoena dated May 23, 2000. Harris Bank International NY, (HBIC) is an Edge Act subsidiary of the Harris Trust and Savings Bank Chicago Illinois, a member of the Bank of Montreal Group of Companies. Our primary business case is USD electronic funds transfers of international origin.

HBIC currently maintains an account in the name of Standard Bank Jersey, Channel Islands, which was first established on October 24, 1989, as Brown Shipley and Co. Jersey. HBIC has never maintained an account relationship for Hanover Bank Ltd., Antigua and has acted only as an intermediary to transactions on behalf of Standard Bank, Jersey. HBIC provides USD correspondent banking services to Standard Bank for the purposes of foreign exchange, securities trading and check issuance.

Responses to items 1-10 are as follows:

- (1) An officer duly authorized to establish relationships at HBIC in 1989 established Brown Shipley and Co. Jersey. Credit review is ongoing and provided by our parent bank. Due diligence know your customer review is provided by officers trained for BSA compliance.
- (2) Relationship managers were stationed both at HBIC in the US as well as at the banks London representative office.
- (3) A current list of Standard Bank authorized signatures is provided.
- (4) Not applicable. HBIC accepts payment instructions only from Standard Bank via authenticated SWIFT messages.
- (5) HBIC internal controls provide oversight and regularly reviews transaction volumes, value and payment content. Transactions by order Hanover Bank were not and would



2865

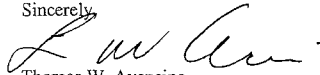
Harris Bank  
International Corporation

not be considered suspicious from our intermediary bank perspective. These transaction types are typical of Standard Bank. We are in possession of Standard Bank's Anti Money Laundering policies and a copy has been provided for your review.

- (6) A copy of a letter from Mourant du Feu & Jeune, advocates for Standard Bank has been provided. This letter identifies transactions involving Hanover Bank, Antigua through Standard Bank's account at HBIC for the period April 1, 1998 through July 7, 1998.
- (7) HBIC Statement of account details for Standard Bank, Jersey are provided for the period March, 1998 through June, 1998 as per our discussion.
- (8) Not Applicable
- (9) Due to the volume of transactions, daily account statements were warranted and provided for the period January 1, 1998 through December 31, 1999.
- (10) Details are attached to statements of account as indicated in number 7 for \$100,000 and above.

Please contact me at: (212) 715-2665 if you should require any additional information.

Sincerely,



Thomas W. Avansino  
Director of Operations



Press Releases

PRESS  
RELEASES

Statement - 13 July 2000

**Statement of the Jersey Financial Services  
Commission Regarding Standard Bank  
Jersey Limited**

The Jersey Financial Services Commission ('the Commission') has completed a full investigation into the circumstances surrounding a banking relationship maintained by Standard Bank Jersey Limited ('the Bank') and Hanover Bank Limited (incorporated in Antigua) in 1998. A person closely associated with the operation of Hanover Bank Limited, but with no known connection with the Bank or with Jersey, is already the subject of criminal proceedings in the USA, and others are the subject of continuing criminal investigation in the USA.

The Commission expects the highest possible standards of banking practice to be exercised by those institutions licensed under the Banking Business (Jersey) Law. This includes having in place and exercising strict and effective 'know your customer' rules that ensure proper verification of the bona fides of their customers and of the kind of business they expect to undertake. From the results of the investigation the Commission has concluded that, in the Bank's relationship with Hanover Bank Limited, the senior officers directly involved failed to follow proper procedures. The conduct of the Bank fell well short of the standards expected by the Commission. The Commission approved the appointment of two firms of independent reporting accountants who have examined the Bank's historic and current procedures. The Commission is now satisfied that the Bank's relevant procedures which were in place in 1998 have since been reviewed and improved. The Commission is also satisfied that senior management changes in place, including the departure of the officers concerned, have strengthened the management of the Bank.

**For further information contact:**

2867

<http://www.jerseyfsc.org/releas51.htm>

**Moya Fenoughty**  
**Communications Manager**  
**Jersey Financial Services Commission**

Telephone: +44 (0) 1534 822037  
Facsimile: +44 (0) 1534 822001  
Email: [m.fenoughty@jerseyfsc.org](mailto:m.fenoughty@jerseyfsc.org)



2868

SENT BY: Mourant

14- 6- 0 : 15:15 :

MOURANT-

212 758 9847;# 1/ 4



**Mourant du Feu & Jeune**  
ADVOCATES, SOLICITORS AND NOTARIES PUBLIC

PO Box 87  
22 Grenville Street  
St Heller  
Jersey JE4 8PX  
Channel Islands  
Tel: 01534 609000  
Fax: 01534 609333  
International  
Tel: +44 1534 609000  
Fax: +44 1534 609333  
www.mourant.com

Direct Dial 01534 609256  
via secretary

Thomas W Avansino Esq  
Director of Operations  
Harris Bank International Corporation  
430 Park Avenue  
New York  
New York 10022  
USA

14 June 2000

Our ref: 0034/CML/8136/1/1225424

Dear Mr Avansino

By Fax and by Post

**Our Client: Standard Bank Jersey Limited**

I refer to your fax of 30 May 2000 and to our subsequent discussions. I enclose for your information a schedule detailing all items relating to Hanover Bank which were received and paid through Harris Bank for the whole period during which Hanover Bank maintained accounts with our client.

I should be grateful if you would acknowledge safe receipt.

Yours sincerely

**Jonathan Speck**  
Advocate

enc

Partners: Mourant, R F V Jeune, C E Goulanche, J C Jones, A R Beaumont, J D P O'Neill, T J Herbert, J A Richomme, E A Breen,  
C L I Davies, N C Denton, A J R Syme, E C Desrosiers, J P Speck, B H Lacey, M R Scott, J A J Chapman, J C Walker  
Associates: N M Hamel, G A Pollano, S M Gould, V A Viorrey, D R Wilson, N J D Chapman, R A Hickling, M I Guillaume  
Consultants: J C Jean, C H E, K S Baker

Mourant du Feu & Jeune London: 35 New Bridge Street, W1A 1JL, London, EC4W 6BW. Tel: +44 20 7332 6161. Fax: +44 20 7332 6199

SENT BY: MOURANT ; 14- 6- 0 : 15:15 : MOURANT- 212 758 9847: # 2/ 4  
Standard Bank Jersey Limited

Redacted information  
in Subcommittee Files

Items relating to Hanover Bank which were received and paid through Harris Bank

POST DATE	DETAIL	VALUE DATE	DEBIT	CREDIT
01.04.98	Financial Solutions Limited recd from First Union NB GA B/O D0004800008213 30024	31.03.98		250,000.00
01.04.98	Financial Solutions Limited Same	31.03.98		69,000.00
03.04.98	B/O [REDACTED] F/C INTL FINCL Solutions Limited recd from Citibank NA B/O Dean Witter Reynolds	31.03.98		50,000.00
01.04.98	From Credit Lyonnais New York recd from Credit Lyonnais NY B/O one of our clients	01.04.98		2,475,000.00
02.04.98	Sunfirst Trust Company Limited - Intl Financial Solutions from Chase Manhattan Bk NA NY	02.04.98		100,000.00
03.04.98	HFI account recd from First Union N B Of South Carolina	03.04.98		150,000.00
03.04.98	Intl Finan Solutions Ltd recd from First Union N B Of South Carolina	03.04.98		1,200,000.00
06.04.98	Elftson Consulting Escrow Account at Chase Manhattan Bank New York	06.04.98	300,000.00	
06.04.98	B/O Overseas development Bank Intl Financial Solutions recd from First Natl Bank of Commerce LA	06.04.98		20,107.00
03.04.98	Anglo Gulf Energy Inc Payt to Chase Texas Houston Texas	07.04.97	300,000.00	
07.04.98	Tristar Investments Group for Inter Financial Solutions Ltd recd from Nationsbank of North Carolina NA Charlotte	07.04.98		260,000.00
08.04.98	B/O [REDACTED] Trust - International Financial Solutions Ltd recd from Nationsbank of Georgia NA Atlanta George	07.04.98		240,000.00
08.04.98	From Texas commerce Bank Return of funds F/O Anglo Gulf Energy Inc	08.04.98		299,985.00
08.04.98	Intl Finan Solutions Ltd Recd from First Union Bank NB GA	08.04.98		100,000.00
15.04.98	Payment to Texas Commerce F/O Anglo Gulf Energy Payt to Chase Texas Houston Texas	09.04.98	299,985.00	
08.04.98	M A Fitzpatrick Payt to National Australia Bank NY	14.04.98	50,000.00	
08.04.98	National Irish Bank Intl Division Dublin FAO M A Fitzpatrick M A Fitzpatrick	14.04.98	50,000.00	
17.04.98	Payt to Fleet Bank National Association New York Beneficiary Isle of Man Bank Ltd Douglas [REDACTED] - further credit Hisway Inc	17.04.98		41,225.00
17.04.98	Recd from Sharonview FCU NC B/O [REDACTED] further credit Hisway Inc acc 010020 11	17.04.98		500,000.00
17.04.98	Tri Star Inv Group - Inter Financial Solutions Ltd recd from Nationsbank of North Carolina NA Charlotte B/O Tri Star Investments Group LLC Raleigh	17.04.98		
17.04.98	H A Simmons Business Account Harris Bank Intl Corp NY A/C Vicar Lane Branch Leeds beneficiary HA Simmons Business Account	20.04.98	125,000.00	
17.04.98	Stow Antiques Payt to Harris Bank Intl Corp NY 4 Castle Street, Christchurch Beneficiary Stow Antiques	20.04.98	80,000.00	
17.04.98	Yoshiki Doi Payt to Chase Manhattan Bk NY account Sakura Bank, Akasaka Ark Hills Branch, Tokyo. Japan Beneficiary Yoshiki Doi	20.04.98	150,000.00	
20.04.98	B/O Cardinal Resources Greenville Final Credit to Hisway, Inc Acc AO1.002. recd from Nationsbank of South Carolina SC, B/O Cardinal	20.04.98		77,250.00

SENT BY: MOURANT	14- 6- 0 ; 15:16 ;	MOURANT-	212 758 9847;# 3/ 4
	Resources Greenville SC296075730		
20.04.98	B/O [REDACTED] for final Credit to Hisway, Inc Acc AO1.002.011 Recd from Tucker Fed Savings and Loan GA, B/O F261170821 TF	20.04.98	51,525.00
20.04.98	B/O Societe Suisse SA Recd from Bankers Trust Co New York B/O Societe Suisse SA A/C 5611602	20.04.98	20,000.00
21.04.98	First Union Bank of South Carolina - Hisway Recd from First Union NB of South Carolina SC, B/O D0004009095893 IFS Hisway	21.04.98	400,000.00
20.04.98	[REDACTED] Payt to Chase Manhattan Bank A/C 013006 388 Collins Street, Melbourne Beneficiary [REDACTED]	21.04.98	350,000.00
20.04.98	Antique Decor Pty Limited Payt to Chase Manhattan Bank A/C 013006 388 Collins Street, Melbourne Beneficiary Antique Decor Pty Limited	21.04.98	300,000.00
24.04.98	Rec'd from Credit Lyonnais New York - BNF Takuma Abe/Ted Tsuru Joint a/c 5611602	23.04.98	190,000.00
24.04.98	B/O Fulton Bank PA - Hisway	23.04.98	103,000.00
23.04.98	[REDACTED] Payment to Chase Manhattan Bank NY, A/C Westpac Bank Mona Vale Branch, Sydney, beneficiary name [REDACTED]	24.04.98	17,500.00
23.04.98	Valmar Antiques Payt to Barclays Bank Plc, New York A/C Barclays Bank Plc, 12 Cambridge Road, Stanstead, beneficiary Valmar Antiques	24.04.98	28,560.00
23.04.98	Barry Antiques Payt to Chase Manhattan Bank, New York a/c Tewkesbury branch Cheltenham beneficiary customer Barry Antiques	24.04.98	25,000.00
23.04.98	Coolgan Pty Limited Payt to National Australia Bank Ltd New York a/c National Australia Bank, Sydney beneficiary Coolgan Pty Limited	24.04.98	120,000.00
23.04.98	SIS Seehafen und Industrie Service GMBH Payt to Chase Manhattan Bank, New York a/c Die Di Bremen Bremen Germany, beneficiary SIS Seehafen Und Industrie Service GMBH	24.04.98	56,000.00
23.04.98	Antique Decor Pty Limited Payt to National Australia Bank Ltd New York a/c National Australia Bank, 271 Collins Street, Melbourne Beneficiary Antique Decor Pty Limited	24.04.98	250,000.00
23.04.98	Tomlinson Antique House Payt to Harris Bank Int'l Corp, New York a/c Overseas Chinese Banking Corp OCBC, Singapore Beneficiary Tomlinson Antique House	24.04.98	78,500.00
23.04.98	Glenleigh Antiques Pty Limited Payt to National Australia Bank Ltd, New York, A/C National Australia Bank 271 Collins Street, Melbourne, beneficiary Glenleigh Antiques Pty no 2 a/c	24.04.98	44,500.00
23-Apr-98	Exotica Fine Art Ptd Ltd Payt to Chase Manhattan Bank, New York a/c United Overseas Bank Group, 19 Tanglin Road, Singapore, beneficiary Exotica Fine Art Ptd Ltd	23-Apr-98	312,500.00
23-Apr-98	Evolution Prehistoric Art Gallery Pte Limited Payt to Harris Bank Int'l Corp, New York a/c Marine Midland New York a/c Orchard Road Branch Singapore Beneficiary Evolution Prehistoric Art Gallery Pte Limited	23-Apr-98	250,000.00
23-Apr-98	/U003911 - Hisway Inc. Recd from First Union NB of South Carolina SC, B/O D0004009095893 IFS Highway	23-Apr-98	100,000.00
23-Apr-98	Colourdecor Limited	24-Apr-98	80,000.00

SENT BY: MOURANT	:14- 6- 0 : 15:16 :	MOURANT-	212 758 9847: # 4/ 4
	Payt to Chase Manhattan Bank NY a/c with inst-branch/off Town Centre Stevenage, Herts, beneficiary Colouredcor Ltd		
27-Apr-98	GREENVILLE SC - Hisway Recd from Branch Banking Trust Co NC B/O D5121601114831 Greenville SC BNF Hisway Inc	27-Apr-98	10,300.00
30-Apr-98	B/O BAJA INVESTMENTS INC - Hisway Inc Recd from Barclays Bank Plc New York B/O Baja Invs Inc BNF Hisway Inc	28-Apr-98	74,017.00
05-May-98	B/O [REDACTED] - Hisway Recd from First Heritage National Bank, B/O [REDACTED] BNF Hisway Inc	5-May-98	103,025.00
11-May-98	Union Bank of South Carolina - Hisway Recd from First Union NB of South Carolina SC, B/O D0004009095893 IFS Hisway	8-May-98	150,000.00
21-May-98	B/O [REDACTED] - Hisway Funds recd from Nationsbank of South Carolina B/O [REDACTED] [REDACTED]	11-May-98	56,650.00
12-May-98	[REDACTED] Payt to Barclays Bank Plc, NY A/C with Intl Banking Centre 68 Knightsbridge BNF [REDACTED]	13-May-98	125,000.00
15-May-98	B/O ZEPHYR SERVICES GRAND CAYMAN - Hisway Recd from Citibank NA New York, B/O Zephyr Financial Services Grand Cayman BNF Hisway Inc	15-May-98	10,300.00
15-May-98	B/O [REDACTED] OR [REDACTED] SPARTANBURG - Hisway Recd from Bankamerica Intl New York, B/O Antigua Overseas Bank Ltd REF FC to a/c no 5611602	15-May-98	10,325.00
15-May-98	T Tsuru and T Abe Payt to Bank of New York, NY A/C CIBA Oppenheimer & Co Inc, BNF T Tsuru & T Abe	15-May-98	400,000.00
20-May-98	METRO TELECOM INC - Ottershaw Consultancy Ltd Recd from Trust Co Bank Atlanta GA, B/O Metro Telecom Inc, Ref Ottershaw Consultancy Ltd	18-May-98	50,000.00
20-May-98	B/O NAC - Hisway Inc Recd from First Union NB of South Carolina SC, B/O NAC 0298936000080 Charlotte	20-May-98	50,000.00
21-May-98	B/O [REDACTED] TRUST - Hisway Inc Recd from Carolina First Bank : C. B/O [REDACTED] Trust a/c	21-May-98	1,500.00
02-Jun-98	B/O TATSUYA OMURA Recd from Swiss Bank Corp New York, B/O Tatsuya Omura 158 0081 Tokyo BNF Mr Tatsuya Omura	1-Jun-98	9,999,985.00
09-Jun-98	First Union Bank of South Carolina - Hisway Recd from First Union NB of South Carolina, SC B/O D0004009095893 IFS Hisway	9-Jun-98	160,000.00
23-Jun-98	B/O ANTIGUA OVERSEAS BANK Recd from Bankamerica Intl New York, B/O Antigua Overseas Bank Ltd REF FC to a/c no 5611602	10-Jun-98	10,325.00
15-Jun-98	Morgan Steepleton Investment and Securities SA -a/c 172734 Payt to Credit Lyonnais New York, BNF Morgan Steepleton Investment & Securities SA	11-Jun-98	9,999,985.00
19-Jun-98	Mr Yoshiki Doi Payt to Credit Lyonnais New York, BNF Mr Yoshiki Doi	19-Jun-98	100,000.00
26-Jun-98	B/O OVERSEAS DEVLPMNT BK - Hisway Recd from First National Bank Of Commerce LA B/O Overseas Developmt Bnk	26-Jun-98	10,325.00
07-Jul-98	B/O BARCLAYS BANK NY - Hisway Recd from Barclays Bank Plc New York BNF A000J8026635 F/O Hisway Inc	7-Jul-98	30,925.00

**Receive File Details**

Date: 03/30/98      Receive No.: 03823      Status: QUALIFIED

Amount: 250,000.00

**Receive Account:**

000016026635  
 000016026635  
 STANDARD BANK INVESTMENT CORP.  
 JERSEY LTD.  
 P.O. BOX 583, ONE WAVERLEY PLACE  
 ST. HELIER JERSEY, CHANNEL ISLANDS

**Send Account:**

123  
 FIRST UNION NB  
 00004800008213  
 [REDACTED]  
 30024

**Field:**      **Reference:**

20: 990030015595\*      25-DH-F-C5-000227891-4-PHONSEN/86K-A-561160226635BNF-A-01  
 21: 9900300145138      01C0163FINANCIAL SOLUTIONS LTD

CHIPS OSN: 00030      Oper Quality: SYS  
 CHIPS SSN: 000232      Oper Verify: [REDACTED]  
 Trans Code: 8

Status Text      Info Text      Found: 8

Communicator      CD-ROM Disc

swill books      DiBank


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in Subcommittee Files



Redacted information  
in Subcommittee Files

000016026635

H03

ACCOUNT NUMBER 000016026635		STATEMENT OF ACCOUNT		STATEMENT PERIOD FROM 28 MAR 98 TO 30 MAR 98		PAGE 2	
STANDARD BANK JERSEY LIMITED		<b>HARRIS BANK INTERNATIONAL</b>		CURRENCY: US DOLLARS			
COUNTRY OF ORIGIN UNITED KINGDOM				345 PARK AVENUE, NEW YORK, NY 10044		*****TELEX STATEMENT*****	
1 ST. HELENS, JERSEY LTD.		VIA TELE					
1 P.O. BOX 583							
1 UNION STREET							
1 ST. HELENS, JERSEY KEA BXR							
0 ATTN: TONY KENOUF							
		PLEASE SEE REVERSE SIDE					
POSTING DATE	VALUE	TYPE	DESCRIPTION	DEBITS	CREDITS	BOOK BALANCE	AVAILABLE BALANCE
03MAR98 01	100,000.00	DEBIT		100,000.00			
03MAR98 01	128,999.88	DEBIT		128,999.88			
03MAR98 01	130,000.00	DEBIT		130,000.00			
03MAR98 01	167,000.00	DEBIT		167,000.00			
03MAR98 02	735,424.88	DEBIT		735,424.88			
03MAR98 02	1,700,000.00	DEBIT		1,700,000.00			
03MAR98 02	7,582,000.00	DEBIT		7,582,000.00			
03MAR98 02	7,922,000.00	DEBIT		7,922,000.00			
03MAR98 02	10,900,000.00	DEBIT		10,900,000.00			
03MAR98 06					1,666.41		
03MAR98 06					1,693.06		
03MAR98 06					2,000.00		
03MAR98 06					3,978.50		
03MAR98 06					5,220.00		
03MAR98 06					10,374.70		
03MAR98 06					11,028.22		
03MAR98 06					12,048.19		
03MAR98 06					17,156.02		
03MAR98 06					23,095.55		
03MAR98 06					50,000.00		
03MAR98 06					55,206.77		
03MAR98 06					65,000.00		
03MAR98 06					69,000.00		
03MAR98 06					99,985.00		
03MAR98 06					129,990.40		
03MAR98 06					250,000.00		
CLOSING BALANCE							
CHECKS		DEBIT ITEMS		CREDIT ITEMS		TOTAL	

Receive File Research

Query Configuration

Archive Date: 03/31/98 Amount: 100,000.00 Recv Acct.: 000016026635

From: 03/31/98 To: 03/31/98 SSN: 015 200 000 00

Receive File Details

Date: 03/31/98 Receive No.: 02596 Status: QUALIFIED

Amount: 2,475,000.00

Receive Account:

000016026635

186313

STANDARD BANK INVESTMENT CORP.

NEW JERSEY LTD.

P.O. BOX 583, ONE WAVERLEY PLACE

ST. HEDER JERSEY, CHANNEL ISLANDS

Send Account:

CRALYCHGG 807

CREDIT LYONNAIS

CREDIT LYONNAIS (SUISSE) SA

PLACE BELAIR

1211 GENEVA 11

GENEVA SWITZERLAND

Field: 20: 858030240761003 Reference: ORG=ONE OF OUR CLIENTS BENEF=ASSTED ZHANTOYER BANK LTD

21: TED

CHIPS OSN: 02203 Oper Quality: SYS

CHIPS SSN: 075240 Oper Verity:

Trans Code: C

Ben Ref Ben Type

Found 10

Status Text Info Text

[illegible]

2876

Receive File Details		
File		
Date: 04/01/98	Receive No.: 04437	Status: QUALIFIED
Amount: 100,000.00		
Receive Account:		Send Account:
000016026635		469500197865 123
000016026635		CHASE MANHATTAN BANK NA
STANDARD BANK INVESTMENT CORP.		SUNFIRST TRUST COMPANY LTD
P.O. BOX 583, ONE WAVERLEY PLACE		912 THOUSAND OAKS DRIVE
ST. HELLER JERSEY, CHANNEL ISLANDS		VIRGINIA BEACH VA 23454
Field:		Reference:
20: 1053100091GY*	/S-DFI-F-021000021EBK-A-561160226635BNF=INTL FINANCIAL SOL	
21: FAX OF 98/04/01	UTIONS LTD/AC-A01001001	
CHIPS OSN: 00401	Oper Quality: SYS	
CHIPS SSN: 004947	Oper Verify:	
Trans Code: C		
Status Text		Info Text

J03

000016026635

ACCOUNT NUMBER 000016026635		STATEMENT OF ACCOUNT		STATEMENT PERIOD		PAGE	
STANDARD BANK JERSEY LIMITED		HARRIS BANK		FROM 01 APR 98 TO 01 APR 98		2	
CREDIT ADVISORY		INTERNATIONAL		CURRENCY US DOLLARS			
400 UNION STREET		344 PARK AVENUE, NEW YORK, N.Y. 10154		*****TELEX STATEMENT*****			
P.O. BOX 583 ONE WAVERLY PLACE		VIA TELEX					
ST. HELENA, JERSEY KE4 BXR							
O ATTN: TONY MENDI							
		PLEASE SEE REVERSE SIDE					
POSTAL DATE	VALUE	DATE	DESCRIPTION	DEBITS	CREDITS	BOOK BALANCE	AVAILABLE BALANCE
DIAPR 01	2,300,000.00	DIAPR 01	FED FUNDS SOLD	2,300,000.00			
DIAPR 01	5,000,000.00	DIAPR 01		5,000,000.00			
DIAPR 01	10,900,000.00	DIAPR 01		10,900,000.00			
DIAPR 02		DIAPR 02			742.00		
DIAPR 03		DIAPR 03			1,553.15		
DIAPR 04		DIAPR 04			1,500.00		
DIAPR 05		DIAPR 05			1,697.38		
DIAPR 06		DIAPR 06			2,521.50		
DIAPR 07		DIAPR 07			2,825.57		
DIAPR 08		DIAPR 08			4,831.27		
DIAPR 09		DIAPR 09			4,880.00		
DIAPR 10		DIAPR 10			5,200.00		
DIAPR 11		DIAPR 11			5,205.33		
DIAPR 12		DIAPR 12			7,000.00		
DIAPR 13		DIAPR 13			9,900.00		
DIAPR 14		DIAPR 14			11,500.00		
DIAPR 15		DIAPR 15			39,220.80		
DIAPR 16		DIAPR 16			45,908.18		
DIAPR 17		DIAPR 17			52,000.00		
DIAPR 18		DIAPR 18			79,975.00		
DIAPR 19		DIAPR 19			94,143.00		
DIAPR 20		DIAPR 20			102,704.00		
DIAPR 21		DIAPR 21			142,704.00		
DIAPR 22		DIAPR 22			150,000.00		
DIAPR 23		DIAPR 23			CLOSING BALANCE		
0 00443750WIFIRST TRUST COMP VIRGINIA BE							
CHECKS				DEBIT ITEMS		TOTAL	
CREDIT ITEMS				TOTAL			

2878

Receive File Details	
Date:	04/02/98
Receive No.:	02872
Status:	QUALIFIED
Amount:	1,200,000.00
<b>Receive Account:</b>	
000016026635	
000016026635	
STANDARD BANK JERSEY LIMITED	
P.O. BOX 583 ONE WAVERLEY PLACE	
UNION STREET	
ST HELIER, JERSEY JE4 8XR	
<b>Send Account:</b>	
123	
FIRST UNION N B OF SOUTH CAROLINA	
00004009055693	
HIS WAY FINANCIAL	
JRS MINISTRIES	
YORK, SC 29745	
<b>Field:</b>	<b>Reference:</b>
20: 960402006756*	7S-DPI=F-0532077660BI=FOR FURTHER CREDIT TO ACCT 5611602H
21:	NOVER BANK LIMITED FOR FURTHER CREDIT TO ACCT A01001001INT
CHIPS OSN:	00402
CHIPS SSN:	000035
Trans Code:	C
Oper Qualify:	FUNG
Oper Verify:	LOU
Status Text	Info Text

2879

Receive File Details		
File		
Date:	04/02/98	Receive No.: 02879
		Status: QUALIFIED
Amount:	150,000.00	
Receive Account:		
000016026635		
000016026635		
STANDARD BANK JERSEY LIMITED		
P.O. BOX 583 ONE WAVERLEY PLACE		
UNION STREET		
ST. HELIER, JERSEY JE4 8XR		
Send Account:		
123		
FIRST UNION N B OF SOUTH CAROLINA		
0000400905893		
HIS WAY FINANCIAL		
JRS MINISTRIES		
YORK, SC 29745		
Field:		
Reference:		
20:	980402006979*	/S-DPI=F-053207766CBI=FOR FURTHER CREDIT TO HANDOVER BAN
21:		11602 FOR FURTHER CREDIT TO HFIACCT A01002011BNF=A-00001
CHIPS OSN:	00402	Oper Quality: FUNG
CHIPS SSN:	000037	Oper Verify: LOU
Trans Code:	C	
Status Text		Info Text

ACCOUNT NUMBER 0000140276355		STATEMENT PERIOD FROM 02 APR 98 TO 02 APR 98		PAGE 2			
STANDARD BANK JERSEY LIMITED COUNTY OF MIDDLESEX 100 WALL STREET NEW YORK, NY 10038		HARRIS BANK INTERNATIONAL 444 PARK AVENUE, NEW YORK, NY 10014		CURRENCY US DOLLARS			
TO STANDARD BANK JERSEY LTD. P.O. BOX 583 ONE WAVERLY PLACE L UNION STREET ST. HELENS, JERSEY KE4 8XR		FROM HARRIS BANK INTERNATIONAL 444 PARK AVENUE, NEW YORK, NY 10014		*****TELEX STATEMENT***** *****			
O A.T.N. TONT REMOOF		VIA TELEX					
POSTAL DATE	VALUE	TYPE	DESCRIPTION	DEBIT	CREDIT	BOOK BALANCE	AVAILABLE BALANCE
02APR98	1,000.00	01	TELEX	1,000.00			
02APR98	2,000.00	01	TELEX	2,000.00			
02APR98	158.57	01	TELEX	158.57			
02APR98	810.46	01	TELEX	810.46			
02APR98	2,394.16	01	TELEX	2,394.16			
02APR98	2,486.08	01	TELEX	2,486.08			
02APR98	3,000.00	01	TELEX	3,000.00			
02APR98	3,119.80	01	TELEX	3,119.80			
02APR98	5,000.00	01	TELEX	5,000.00			
02APR98	5,785.76	01	TELEX	5,785.76			
02APR98	6,314.17	01	TELEX	6,314.17			
02APR98	7,201.07	01	TELEX	7,201.07			
02APR98	8,369.51	01	TELEX	8,369.51			
02APR98	10,000.00	01	TELEX	10,000.00			
02APR98	20,000.00	01	TELEX	20,000.00			
02APR98	37,327.63	01	TELEX	37,327.63			
02APR98	74,720.68	01	TELEX	74,720.68			
02APR98	1,750,000.00	01	TELEX	1,750,000.00			
02APR98	1,600,000.00	01	TELEX	1,600,000.00			
02APR98	2,500,000.00	01	TELEX	2,500,000.00			
02APR98	5,466,649.85	01	TELEX	5,466,649.85			
02APR98	5,444,588.47	01	TELEX	5,444,588.47			
TOTAL				5,466,649.85		8,018.17CR	8,018.17CR
CHECKS				1	DEBIT ITEMS	29	
CREDIT ITEMS				21	TOTAL		



Redacted information  
in Subcommittee Files

Receive File Details	
File	
Date: 04/06/98	Receive No.: 02979
Status: QUALIFIED	
Amount: 240,000.00	
<b>Receive Account:</b> 000016026635 16026635 STANDARD BANK JERSEY, LTD JERSEY, CHANNEL ISLANDS	<b>Send Account:</b> 3256632474 123 NATIONS BANK OF GEORGIA N.A. TRUST 4290 BELLS FERRY RD SUITE 106 KENNESAW GA 301447141
<b>Field:</b> 20: SE980406013297* 21: SE980406013297	<b>Reference:</b> 75-DFI-F-051000052081-FFC-INTERNATIONAL FINANCIAL SOLUTI QNS A01001001881-FFC-INTERNATIONAL FINANCIAL SOLUTIONS A
CHIPS OSN: 00406 CHIPS SSN: 000302 Trans Code: C	Oper Quality: SYS Oper Verify:
Status Text	Info Text

2882

Receive File Details		
File		
Date: 04/06/98	Receive No.: 02867	Status: QUALIFIED
Amount: 260,000.00		
Receive Account:		Send Account:
000016026635		0650402414 123
000016026635		NATIONSBANK OF NORTH CAROLINA, N.A.
STANDARD BANK JERSEY, LIMITED		TRI-STAR INVESTMENT GROUP, L.L.C.
		5910-129 DURAIEGH RD 274
		RALEIGH NC
Field: Reference:		
20: SE980406011527*	/S-DPI=F-053000196081=FURTHER CREDIT HANOVER BANK LIMITE	
21: SE980406011527	CCT 5611602 FUTHER CREDIT INTERFINANCIAL SOLUTIONS LTD	
CHIPS OSN: 00406	Oper Quality: CYNT	
CHIPS SSN: 000183	Oper Verify: LDU	
Trans Code: C		
Status Text		Info Text

[illegible]

2884

Payment File Details			
File			
Date: 04/06/98	Send Acct: 000016026635	Pay. No: 03034	Status: RELEASED
Amt: 300,000.00	Pay To: CHASE MANHATTAN BANK NA		
Send ID:		Receive ID:	
000016026635		181050500055	
STANDARD BANK JERSEY LIMITED		EFFSON CONSULTING ESCROW ACCOUNT	
P.O. BOX 583 ONE WAVERLEY PLACE			
UNION STREET			
ST HELIER, JERSEY JE4 8XR			
Recv. Bank: 123			
Field:	Reference:		
20: MTIS565449380406	/R-DFI-F-0210000210RG=THE HANOVER BANK		
21: CDE/6511602			
CHIPS ISN: 00406	Oper Entr: CYNT	Time Stor: 110300	
CHIPS SSN: 000130	Oper Verf: LOU	Time Rel: 123600	
Trans Code: CTR	Oper Rel: PRIC	Entry Date: 04/06/98	
Details - Pg 1			

Redacted information  
in Subcommittee Files

Receive File Details	
File	
Date: 04/07/98	Receive No.: 03768
Status: QUALIFIED	
Amount: 100,000.00	
Receive Account:	
000016026635	
000016026635	
STANDARD BANK INVESTMENT CORP.	
(JERSEY) LTD.	
P.O. BOX 593, ONE WAVERLEY PLACE	
ST. HELIER JERSEY, CHANNEL ISLANDS	
Send Account:	
123	
FIRST UNION NB	
00004800008213	
30024	
Field:	
20: 980407011811*	
21: 980407145114	
Reference:	
75-DFT-F06T000227881-7/PHONBEN/BBK-A-561160226635BNF-A-01	
01001535NLC FINANCIAL SOLUTIONS LTD	
CHIPS OSN: 00407	Oper Qualify: SYS
CHIPS SSN: 000285	Oper Verify:
Trans Code: B	
Status Text	Info Text

2886

Payment File Details			
File			
Date: 04/07/99	Send Acct: 000016026635	Pay. No: 01287	Status: RELEASED
Amt: 300,000.00		Pay To: TEXAS COMMERCE BANK, N.A.	
Recv. Bank: 123			
Send ID: 000016026635		Receive ID: 316053869	
STANDARD BANK JERSEY LIMITED		ANGLO GULF ENERGY INC	
P.O. BOX 583 ONE Waverley Place			
UNION STREET			
ST HELIER, JERSEY JE4 8XR			
Field:		Reference:	
20: WTIS564911980406		20 DFI=F113000605DRG=THE HANOVER BANK	
21: CDG/5611602			
CHIPS ISN: 00407	Oper Entr: JANI	Time Stor: 051100	
CHIPS SSN: 000066	Oper Verf: PRIC	Time Rels: 093600	
Trans Code: CTR	Oper Rels: SYNT	Entry Date: 04/06/99	
Details - Pg 1			

2887

Receive File Details		
File		
Date: 04/07/98	Receive No.: 02873	Status: QUALIFIED
Amount: 299,985.00		
<b>Receive Account:</b> 000016026635 000099993600 PREVIOUS DAY'S RETURN OF FUNDS     	<b>Send Account:</b> 123 TEXAS COMMERCE BANK, N.A. GPP RETURN WIRE     	
Field:	Reference:	
20: 0006600097E2	/S-DF=F113000609831=/REC./RETURN OF YOUR FEC IMAD 040701	
21: CDG/5611602	/DFF1A00006S DATED 04/07/98 UNABL/E TO APPLY. NEED A C	
CHIPS DSN: 00407	Oper Qualify: MARC	
CHIPS SSN: 0000816	Oper Verify: LOU	
Trans Code: 8		
Status Text	Info Text	

2888

Payment File Details			
Date:	04/09/98	Send Acct:	000016026635
Pay. No:	02793	Status:	RELEASED
Amt:	299,985.00	Pay To:	TEXAS COMMERCE BANK, N.A.
		Recv. Bank:	123
Send ID:		Receive ID:	
000016026635		31607539697	
STANDARD BANK JERSEY LIMITED		ANGLO GULF ENERGY INC	
P.O. BOX 583 ONE WAVERLEY PLACE			
UNION STREET			
ST HEUER, JERSEY JE4 8XR			
Field:		Reference:	
20:	MTIS577003980409	/R-DFI-F-1130006090RG=THE HANOVER BANK	
21:	CCG/5611602		
CHIPS ISN:	00409	Oper Enr:	JANI
CHIPS SSN:	000101	Oper Ver:	PRIC
Trans Code:	CTR	Oper Rel:	CYNT
Time Stor:	092600	Time Rels:	101600
Entry Date:	04/09/98		
Details - Pg 1			



000016026635

P02

ACCOUNT NUMBER 000016026635		STATEMENT OF ACCOUNT FROM 07 APR 98 TO 07 APR 98		PAGE 1	
ACCOUNT NAME COURT OF BANK OF NEW JERSEY LTD.		HARRIS BANK INTERNATIONAL		CURRENCY/DOLLARS	
M. UNITED KINGDOM		100 PARK AVENUE, NEW YORK, N.Y. 10044		*****TELEX STATEMENT*****	
A. STANDARD BANK		VIA TELEX		*****	
L. UNION STREET					
T. ST. HELENS, JERSEY KE4 8XR					
O. ATTN: TONY RENOUF					

DATE	TIME	VALUE	DESCRIPTION	DEBITS	CREDITS	BOOK BALANCE	AVAILABLE BALANCE
07 APR 98			OPENING BALANCE			62,474.20CR	62,474.20CR
07 APR 98	27	300.00		300.00			
07 APR 98	27	400.01		400.01			
07 APR 98	27	420.00		420.00			
07 APR 98	27	350.00		350.00			
07 APR 98	27	350.00		350.00			
07 APR 98	27	2,266.10		2,266.10			
07 APR 98	27	2,340.00		2,340.00			
07 APR 98	27	5,000.00		5,000.00			
07 APR 98	27	5,279.93		5,279.93			
07 APR 98	27	2,356.75		2,356.75			
07 APR 98	27	7,000.00		7,000.00			
07 APR 98	27	7,383.69		7,383.69			
07 APR 98	27	17,500.00		17,500.00			
07 APR 98	27	13,731.73		13,731.73			
07 APR 98	27	15,000.00		15,000.00			
07 APR 98	27	28,234.21		28,234.21			
07 APR 98	27	56,283.16		56,283.16			
07 APR 98	27	250,000.00		250,000.00			
07 APR 98	27	288,397.93		288,397.93			
07 APR 98	27	450,000.00		450,000.00			
07 APR 98	27	2,971,848.56		2,971,848.56			
CLOSING BALANCE							

CHECKS	DEBIT ITEMS	CREDIT ITEMS	TOTAL	TOTAL

000016026635

B03

ACCOUNT NUMBER 000016026635		STATEMENT OF ACCOUNT		STATEMENT PERIOD		PAGE	
COUNTRY OF ORIGIN UNITED KINGDOM		HARRIS BANK INTERNATIONAL		FIN 07 APR 98 TO 07 APR 98		2	
A PLANNED BANK ONE WAY/PL		340 PARK AVENUE, NEW YORK, N.Y. 10017		CURRENCY: US DOLLARS			
1 UNION STREET		VIA TELE		*****TELEX STATEMENT*****			
0 ST. HELEIR, JERSEY KE4 8XK							
0 11TH FLOOR HENDON							
		PLEASE SEE REVERSE SIDE					
DATE		DESCRIPTION		DEBIT		CREDIT	
07APR 98		FED TRANS SOLD		16,500,000.00		1,168.13	
07APR 98						1,280.01	
07APR 98						1,717.56	
07APR 98						1,280.00	
07APR 98						4,982.50	
07APR 98						2,816.04	
07APR 98						7,275.87	
07APR 98						9,600.00	
07APR 98						10,708.54	
07APR 98						11,144.75	
07APR 98						41,000.00	
07APR 98						63,218.35	
07APR 98						66,367.23	
07APR 98						100,000.00	
07APR 98						249,244.16	
07APR 98						299,985.00	
07APR 98						535,650.00	
07APR 98						887,011.80	
07APR 98						955,471.41	
07APR 98						1,499,489.05	
07APR 98						4,670,763.37	
07APR 98						CLOSING BALANCE	
CHECKS		DEBIT ITEMS		TOTAL		TOTAL	

Redacted Information  
in Subcommittee Files

J03

ACCOUNT NUMBER 000016026635		STATEMENT OF ACCOUNT		STATEMENT PERIOD FROM 09 APR 98 TO 09 APR 98		PAGE 3	
ACCOUNT NAME STANDARD BANK, JERSEY LIMITED CORPUS BANK STANDARD BANK, JERSEY LTD. P.O. BOX 583 ONE MAVERLY PLACE UNION STREET ST. HELENS, JERSEY KEA BYR		HARRIS BANK INTERNATIONAL 400 PARK AVENUE, NEW YORK, N.Y. 10041		CURRENCY US DOLLARS		*****TELEX STATEMENT*****	
VIA TELEX		PLEASE RE-ENTER BOX					
DATE	AMOUNT	DESCRIPTION	DEBITS	CREDITS	BOOK BALANCE	AVAILABLE BALANCE	
04/09/98	1,532.04		1,532.04				
04/09/98	3,427.12		3,427.12				
04/09/98	3,721.00		3,721.00				
04/09/98	3,721.00		3,721.00				
04/09/98	3,721.00		3,721.00				
04/09/98	4,196.30		4,196.30				
04/09/98	4,792.82		4,792.82				
04/09/98	5,544.25		5,544.25				
04/09/98	8,217.52		8,217.52				
04/09/98	8,391.23		8,391.23				
04/09/98	8,966.84		8,966.84				
04/09/98	9,797.40		9,797.40				
04/09/98	10,409.76		10,409.76				
04/09/98	13,779.37		13,779.37				
04/09/98	25,000.00		25,000.00				
04/09/98	30,000.00		30,000.00				
04/09/98	50,000.00		50,000.00				
04/09/98	70,000.00		70,000.00				
04/09/98	119,285.41		119,285.41				
04/09/98	170,595.00		170,595.00				
04/09/98	230,000.00		230,000.00				
04/09/98	540,000.00		540,000.00				
04/09/98	1,046,684.51		1,046,684.51				
04/09/98	1,500,000.00		1,500,000.00				
CLOSING BALANCE							
CHECKS			DEBIT ITEMS		CREDIT ITEMS		
TOTAL			TOTAL		TOTAL		

Redacted information  
in Submittance Files

U 00273ANGL0 GULF ENERGY INC

Receive File Details	
File	
Date: 04/16/98	Receive No.: 02888
Status: QUALIFIED	
Amount: 500,000.00	
Receive Account:	
000016026635	
000016026635	
STANDARD BANK JERSEY, LIMITED	
Send Account:	
0650402414 123	
NATIONS BANK OF NORTH CAROLINA, N.A.	
TRI-STAR INVESTMENT GROUP, L.L.C.	
5910-129 DURAILEIGH RD 274	
RALEIGH NC	
Field: Reference:	
20: SE980416012687*	/S DFI=F-053000196081=FURTHER CREDIT HANOVER BANK LIMITED
21: SE980416012687	CCT 5611602, FURTHER CREDIT INTERFINANCIAL SOLUTIONS LTD
CHIPS OSN: 00416	Oper Quality: CUNT
CHIPS SSN: 000192	Oper Verify: FUNG
Trans Code: C	
Status Text	Info Text



2894

Payment File Details			
Date: 04/20/98	Send Acct: 000016026635	Pay. No: 01478	Status: RELEASED
Amt: 150,000.00		Pay To: CHASE MANHATTAN BANK NA	
		Recv. Bank: 002	
Send ID: 000016026635		Receive ID:	
STANDARD BANK JERSEY LIMITED		SAKURA BANK	
P.O. BOX 583 ONE WAVEPLEY PLACE		AKASAKA ARK HILLS BRANCH	
UNION STREET		TOKYO	
ST HELIER, JERSEY JE 4 8KH		JAPAN	
Field:		Reference:	
20: MTIS598336990417		ORG=THE HANOVER BANK LIMITED	
21: SF/5611602		BANK-A-5013371YOSHIKI CO	
CHIPS ISN: 01253	Oper Entr: PRIC	Time Stor: 102000	
CHIPS SSN: 034399	Oper Verf: CYNT	Time Refs: 030200	
Trans Code: CTR	Oper Refs: JANI	Entry Date: 04/17/98	
Details - Pg 1			

Receive File Details	
Date:	04/20/98
Receive No.:	04385
Status:	QUALIFIED
Amount:	400,000.00
<b>Receive Account:</b>	
000016026635	
000016026635	
STANDARD BANK JERSEY LIMITED	
P.O. BOX 583 ONE WAVERLEY PLACE	
UNION STREET	
ST HELIER, JERSEY JE4 8XR	
<b>Send Account:</b>	
123	
FIRST UNION N B OF SOUTH CAROLINA	
00004005095893	
JOHNNY WILLIAM CABE	
DBA HIS WAY FINANCIAL JRS MINISTR	
YORK, SC 29745	
<b>Field:</b>	<b>Reference:</b>
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Status Text	Info Text

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[illegible]



000016026635

K03

ACCOUNT NUMBER 0001706655		STATEMENT OF ACCOUNT HARRIS BANK INTERNATIONAL		STATEMENT PERIOD FROM 18 APR 98 TO 20 APR 98		PAGE 2
STANDARD BANK JERSEY LIMITED COURT OF BOWLE N UNITED KINGDOM		HARRIS BANK INTERNATIONAL		CURRENCY: US DOLLARS		
A 21 PARKLAND BANK JERSEY LTD. L UNION STREET 8 ST. HELEIR, JERSEY KE4 8XR		VIA TELEX		*****TELEX STATEMENT*****		
O ATTN. TONY RENOUF		VIA TELEX		*****TELEX STATEMENT*****		
PLEASE SEE REVERSE SIDE						
DATE	REF	DESCRIPTION	DEBITS	CREDITS	BOOK BALANCE	AVAILABLE BALANCE
20APR	20APR98			1,290.00		
20APR	20APR98			1,290.00		
20APR	20APR98			3,181.53		
20APR	20APR98			4,375.00		
20APR	20APR98			7,511.23		
20APR	20APR98			15,000.00		
20APR	20APR98			15,000.00		
20APR	20APR98			15,835.81		
20APR	20APR98			17,640.00		
20APR	20APR98			24,286.94		
20APR	20APR98			25,459.80		
20APR	20APR98			74,594.92		
20APR	20APR98			78,848.87		
20APR	20APR98			88,623.89		
20APR	20APR98			116,350.24		
20APR	20APR98			150,000.00		
20APR	20APR98			177,858.40		
20APR	20APR98			250,000.00		
20APR	20APR98			3,100,000.00		
20APR	20APR98			4,500,000.00		
CLOSING BALANCE			54,847.19CR		54,847.19CR	
TOTAL			9,232,316.15			
TOTAL			9,220,826.07			

Redacted Information  
in Subcommittee Files

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000016026535		123	
STANDARD BANK JERSEY LIMITED		FULTON BANK	
P.O. BOX 583 ONE WAVERLEY PLACE		L M MARTIN INC	
UNION STREET			
ST HEDER, JERSEY JE4 8X4			
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Status Text		Info Text	

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Receive Account:		Send Account:	
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186313		807	
STANDARD BANK INVESTMENT CORP.		CREDIT LYONNAIS	
[JERSEY] LTD.		CREDIT LYONNAIS (SUISSE) SA	
P.O. BOX 383, ONE WAVERLEY PLACE		PLACE BELAIR	
ST. HELENS JERSEY, CHANNEL ISLANDS		1211 GENEVA 11	
		GENEVA SWITZERLAND	
Field:		Reference:	
20:	3598111240516003	BBI=ACC/FOR ACCOUNT OF HANOVER BANK/LIMITED ACC 56116	
21:		RG=ONE OF OUR CLIENTS UNCONF=TAKUMA ABETED TSURU JOIN	
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Trans Code:	C		
Status Text		Info Text	

2900

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STANDARD BANK JERSEY LIMITED		CIBC OPPENHEIMER AND CO INC					
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20:	MTIS684020980519	ORG=THE HANDOVER BANK				BANK-A-6731084254T TSURU AND T	
21:	CDG/5611602	E					
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Net Amount:	USD 9,999,985.00	Rel-Ref:	
Charges:	0.00	Ben-Ref:	T122AAB753898
Sending Bank:	P 0795	Credit Account:	000016025635
SWISS BANK CORPORATION		STANDARD BANK JERSEY LIMITED	
NEW YORK, N.Y. 10008		ST. HELLER, JERSEY JE48XR	
Originator:	/ N	Beneficiary:	A-5611602
TATSUYA OMURA		HANOVER BANK LIMITED	
SEPTO			
6-34-7, TUKAZAWA, SETAGAYA-KU			
158-0081 TOKYO			
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OSN	002678		
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Status Text		Info Text	

Research File Details			
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Charges:	BEN 15.00	Ben-Ref:	CDG 5611602
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STANDARD BANK JERSEY LIMITED		CREDIT LYONNAIS	
ST HELIER, JERSEY JE4 8XR		NEW YORK, N.Y. 10019	
Originator:	/	Beneficiary:	/
THE HANOVER BK		7172734 MORGAN STEEPLTON INVESTME	
		T AND SECURITIES SA	
BBI Details			
SSN	0171562	PSN	002212
ISN	002212		
Details - Pg 1			
Status Text		Info Text	

Research File Details			
File			
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Debit Account:	000016026535	Receiving Bank:	P 0307
STANDARD BANK JERSEY LIMITED		CREDIT LYONNAIS	
ST HELIER, JERSEY JE4 8XR		NEW YORK, N.Y. 10019	
Originator:	/	Beneficiary:	A-0449 /
THE HANOVER BANK		MR YOSHIKI DOI	
BBI Details			
SSN:	0213096	PSN:	003230
ISN:	003230		
Details - Pg 1			
Status Text		Info Text	

2904

Mr Y. Doi  
#403  
5-12 Roppongi 5 chome  
Minato-Ku  
Tokyo  
Japan

3<sup>rd</sup> April 1998

Dear Mr Doi,

Further to our recent correspondence I am writing to confirm that the balance on your US\$ Current/Call account number 93059, titled Mr Yoshiki Doi re Fukuhara Gakuen University Consortium, was US\$16,500,000 (sixteen million five hundred thousand United States dollars) as at close of business Tuesday 31<sup>st</sup> March.

Thank you for your business and we look forward to being of assistance to you in future.

Yours sincerely,



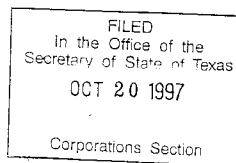
M. A. Fitzpatrick  
Managing Director



ARTICLES OF INCORPORATION  
OF

ANGLO-GULF ENERGY, INC.

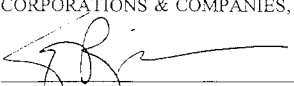
(Pursuant to Article 3.02 of the Texas Business Corporation Act)



1. The name of the corporation is: **ANGLO-GULF ENERGY, INC.**
2. The duration of the corporation shall be perpetual.
3. The nature or purpose of the corporation is to engage in any lawful business, act or activity for which corporations may be incorporated under the Texas Business Corporation Act.
4. The number of shares which the corporation is authorized to issue is 2,500,000 shares of common stock with a par value of \$0.01 per share.
5. The corporation will not commence business until it has received for the issuance of its shares consideration of the value of a stated sum which shall be at least One Thousand Dollars (\$1,000.00), consisting of money, labor done, or property actually received.
6. The street address of the registered office and the name of the registered agent located at such address is: 25318 Spring Ridge Drive, Spring, Texas 77386, Benjamin Lasseter.
7. The number of directors constituting the initial board of directors shall be two (2). The names and addresses of the initial directors are:  
  
Richard Poulden, 105 Duane Street, Apt. 46-H, New York, New York 10007  
Benjamin Lasseter, 25318 Spring Ridge Drive, Spring, Texas 77386
8. The name and address of the incorporator is: Corporations & Companies, Inc., Suite 300A, Two Greenville Crossing, 4001 Kennett Pike, P. O. Box 4477, Wilmington, Delaware 19807-0477.
9. The undersigned incorporator has executed these Articles of Incorporation this 9th day of October, 1997.

CORPORATIONS & COMPANIES, INC

BY:

  
STEPHEN D.M. ROBINSON, President  
Incorporator  
Suite 300A, Two Greenville Crossing  
4001 Kennett Pike  
P. O. Box 4477  
Wilmington, Delaware 19807-0477

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 8/10/98 PRIVEQUITY R 1 OF 2 P 1 OF 3 ALLNEWS Term  
 8/10/98 Private Equity Wk. (Pg. Unavail. Online)  
 1998 WL 30700079

(Publication page references are not available for this document.)

Private Equity Week  
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Monday, August 10, 1998

Regional Roundup - SOUTH  
 George Moriarty

Anglo-Gulf Energy Inc. of Spring, Texas, is raising \$3 million through a private placement of common stock. A minimum investment of \$100,000 is required. Alden Capital Markets Inc. of New York is acting as agent for a sales commission of \$300,000. The natural gas fields developer intends to use proceeds from the offering for various purposes, including the purchase, rental, or lease of new equipment.

Volumetrics Medical Imaging Inc. of Durham, N.C., is raising \$2.1 million through a private placement of Series D preferred stock. The ultrasound technology developer intends to use proceeds from the

2907

Senate Permanent Subcommittee  
On Investigations  
EXHIBIT # 58c

**Exhibit 58c.**

**Clerical Medical documents**

Copyright 1993 Times Newspapers Limited  
The Times

August 14, 1993, Saturday

**SECTION:** Home news

**LENGTH:** 774 words

**HEADLINE:** Insurer sues over control of Pounds 20m

**BYLINE:** Tony Hetherington

**BODY:**

A BRITISH insurance company is taking legal action in London and Cyprus in a bid to recover Pounds 20 million of investors' funds which, it claims, was transferred without authority to the control of a tiny Caribbean bank.

The action is being taken by **Clerical Medical** International, the Isle of Man based investment arm of the **Clerical Medical** insurance group. According to **Clerical Medical**, the money was subscribed by more than 1,000 British investors into offshore broker bonds managed by Bankhall Investment Management, a Fimbra member company based at Altrincham, Cheshire. Fimbra yesterday suspended David Andrew Warnock, Bankhall's managing director, and Paul Henry Hogarth, also a director of the company.

A statement issued last night by the investor protection body said that both men have been ordered to "cease conducting investment business regulated by Fimbra while investigations continue into the transfer abroad of investment funds in circumstances which make it difficult to value those funds".

Investors' funds had been held in a Channel Islands bank account in the name of Managed Opportunities Ltd, a company owned by **Clerical Medical**. David Warnock was a signatory to the Channel Islands account, and a business associate of his, Philip Simons, a Cheshire quantity surveyor, was a director of Managed Opportunities.

Both are named as defendants in a writ issued by **Clerical Medical** in London, which alleges that Mr Simons and Mr Warnock "are considered to be persons responsible for putting the assets of Managed Opportunities Ltd at risk".

Mr Hogarth said last night that the legal action would be fought "all the way. We refute all **Clerical Medical's** statements. None of them are correct. We have not been involved in any impropriety."

The writ alleges that the two men exceeded the authority given to them by transferring investors' money to an account at Lombard National Westminster in Limassol, Cyprus. **Clerical Medical** has obtained a so-called "Mareva" injunction, freezing the Cyprus bank account until the ownership of the funds can be decided.

The Cyprus account is in the name of **Hanover** Bank Ltd, which is licensed by the government of Antigua. Matters have been complicated, however, by a further Mareva order, obtained by a Cyprus company which claims the money was intended for an investment deal it had entered into with **Hanover** Bank.

The managing director of **Hanover** Bank, Tony Fitzpatrick, said yesterday: "The funds have at all times been held in trust in our account for Managed Opportunities, under the control of the officers of Managed Opportunities."

Mr Fitzpatrick said that the money had been transferred to Cyprus in support of a proposed purchase of prime bank guarantees from, or through, the Cyprus company. Prime bank guarantees are financial

instruments that have led to considerable controversy in the banking world, which has been trying to damp down suggestions that they can be traded as an investment rather than used between banks as a guarantee of payment.

Bankhall Investment Management has backed Mr Fitzpatrick's claim that investors' funds never really left the control of Managed Opportunities. Paul Hogarth, speaking for himself and on behalf of Mr Warnock, said: "There was a full trust in existence between **Hanover** Bank and Managed Opportunities. We can assure you that the assets which were placed in that bank account were all under a trust of which the 100 per cent beneficiary was Managed Opportunities."

Mr Hogarth added: "We refute all **Clerical Medical's** statements. None of them are correct. We have not been involved in any impropriety, and we believe **Clerical Medical's** comments are untrue. We are taking full legal action against them. Our lawyers have been to counsel, whose opinion is that comments made by **Clerical Medical** are defamatory and that we should fight them for damages. We shall fight them all the way."

**Clerical Medical** has now severed its business relationship with Bankhall. It has written to all effective investors, offering to manage money which was previously managed by Bankhall. Alternatively, funds can be switched free of charge to other **Clerical Medical** investments.

Nigel Gardner, deputy chief executive of CMI financial services on the Isle of Man, said he had no doubt that his company would win its Cyprus legal action to regain control of investors' money. However, there were no circumstances under which investors would lose. He added: "CMI is going to pick up the bill. We have given that undertaking to investors and we have no intention of going back on that."

LANGUAGE: ENGLISH

LOAD-DATE: August 15, 1993

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#### FOCUS™

Search: General News;clerical w/2 medical and hanover

To narrow this search, please enter a word or phrase:

Example: House of Representatives

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Copyright 1993 Times Newspapers Limited  
The Times

August 23, 1993, Monday

**SECTION:** Business

**LENGTH:** 344 words

**HEADLINE:** Clerical Medical rejects demands over funds

**BYLINE:** By Tony Hetherington

**BODY:**

**CLERICAL Medical** International, the offshore investment arm of the **Clerical Medical** insurance group, has rejected demands from a Cyprus company for a six-figure payment as an out-of-court settlement in its fight to recover Pounds 20 million of investors' funds.

The Pounds 20 million was managed by Bankhall Investment Management, a Fimbra member company in Cheshire. Fimbra has suspended two Bankhall directors after complaints from **Clerical Medical** that the money was transferred to a bank account in Cyprus without proper authority. The Cyprus account is in the name of **Hanover Bank**, a small bank licensed by the government of Antigua and headed by Tony Fitzpatrick, a Dublin businessman. According to Bankhall, the money was sent to Cyprus as security for the purchase of prime bank guarantees, which were to have been obtained through Kinitor Ltd, a local company.

Kinitor has obtained an injunction, freezing the Cyprus account. It has since approached **Clerical Medical**, requesting a payment in exchange for lifting the injunction and consenting to the return of the funds to the UK.

Rick May, deputy chief executive of CMI Financial Services, said: "They have made several offers to us which, when we have spoken to them, have changed, or they have retracted the offers. We have not been able to have what we would consider to be a proper discussion through our lawyers about a way of settling this."

A court in Cyprus will now sit on Wednesday to determine whether the injunction should be lifted or continued.

**Clerical Medical** has also begun legal proceedings in the UK against David Warnock, Bankhall's managing director, and Philip Simons, a business associate, for allegedly putting investors' funds at risk. Both men are counter-suing, alleging that **Clerical Medical** has defamed them in a letter to investors and in comments to the press.

**Clerical Medical** is also enquiring into the role played by Mr Fitzpatrick. High Court records in the Irish Republic show five judgments against him for sums owed to various banks.

**LANGUAGE:** ENGLISH

**LOAD-DATE:** August 24, 1993

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**FOCUS™**

Search: General News;clerical w/2 medical and hanover

To narrow this search, please enter a word or phrase:

Copyright 1994 Times Newspapers Limited  
The Times

January 3, 1994, Monday

**SECTION:** Business

**LENGTH:** 873 words

**HEADLINE:** SIB investigates switch of **Clerical Medical** funds to Cyprus

**BYLINE:** Tony Hetherington

**BODY:**

THE Securities and Investments Board has begun a secret investigation of how Pounds 20 million of investors' money left the control of a big insurance company and came under the influence of a tiny Caribbean bank and an obscure Cypriot firm.

The investigation, under Section 105 of the Financial Services Act, is headed by Richard Coleman, a partner in Coopers & Lybrand, the firm of accountants. He is examining the circumstances in which **Clerical Medical** International, the Isle of Man arm of **Clerical Medical** Group, parted with \$30 million (Pounds 20 million) which is now in a bank account in Limassol, Cyprus.

In a separate development, the Financial Intermediaries, Managers and Brokers Regulatory Association (Fimbra) has brought charges against one of its members, Bankhall Investment Management, of Altrincham, Cheshire, and against two Bankhall directors, Paul Hogarth and David Warnock. It is alleged that the company and its directors were managing the money for **Clerical Medical** at the time it was transferred to Cyprus.

A Section 105 investigation carries wide powers to question companies and individuals, and is comparable to company investigations carried out by the Department of Trade and Industry. A spokeswoman for the SIB declined to comment specifically on the investigation, but said that Section 105 might be of use when a regulatory body, such as Fimbra, found that its own enquiries made it necessary to question persons or companies outside its membership. In such circumstances, the board would take enquiries into areas beyond Fimbra's jurisdiction.

The investigation centres on a bond scheme managed by Bankhall, on behalf of **Clerical Medical** International, under which CMI clients' funds would be used to deal in prime bank guarantees. It is believed the funds were transferred by Mr Warnock to an account at Lombard National Westminster in Cyprus. That account is in the name of **Hanover** Bank, which was licensed as recently as 1992 by the government of Antigua. CMI claims it did not authorise the transfer and that Mr Warnock exceeded his authority.

**Hanover** was to use the money in support of the purchase of prime bank guarantees via Kinitor, a Cyprus company, which was actually to obtain the guarantees from yet another company, Corporate Financial Investments, of London.

One question raised by investigators has been the need for **Hanover** Bank and Kinitor to be involved in the deal, since Bankhall could presumably have dealt directly with Corporate Financial Investments, and the money need never have been transferred to Cyprus. Kinitor is a recently registered Cyprus company, controlled by American and Lebanese owners. The investigation will also consider the relationship between **Hanover** Bank and Corporate Financial Investments. Though the two are ostensibly based thousands of miles apart, **Hanover's** managing director, Tony Fitzpatrick, an Irish businessman, has been found to use the same London address and telephone number as Peter Bolger, an Irish businessman who is a director of Corporate Financial Investments.

Mr Fitzpatrick, who was press spokesman for the former Irish Prime Minister Charles Haughey in the

1970s, has been absent from his London office for some time and was unavailable for comment. Hanover Bank's only other London director, Nicholas Brooks, of Gane Jackson, the firm of accountants, did not return telephone calls inviting him to comment on the investigation.

Clerical Medical International, which has indemnified investors against any loss, has been attempting to recover the Pounds 20 million from Cyprus, but Kinito has obtained a temporary court order freezing the account. The case is to resume on January 26.

Nigel Gardner, deputy chief executive of Clerical Medical International, said: "There is lots and lots of activity in the background, between the regulators. I am still confident that we shall get the money back."

Fimbra's action against Bankhall's directors alleges imprudence in the management of investors' funds. It is also alleged that the company handled investors' funds without authorisation. If the charges are proved, the regulatory body could fine the company and the two directors, who have been suspended by Fimbra since August, or it could rule that they are not fit to remain in financial services. However, sources close to the investigation point out that Bankhall itself has not been suspended by Fimbra, indicating that outright expulsion is unlikely.

Mr Hogarth said: "We still expect to be totally exonerated, and we do expect the money to be returned." Mr Warnock added that Bankhall was co-operating fully with Fimbra's enquiries. He said: "We have a very good relationship with them, and we think everything will be sorted out."

Meanwhile, the World Bank, the US Federal Reserve and the Isle of Man Financial Supervision Commission have all issued warnings concerning investment in prime bank guarantees, prime bank notes, and prime bank letters of credit.

The Manx authorities said: "The staff of the Financial Supervision Commission, the Bank of England and the US Federal Reserve are unaware of the legitimate use of any financial instrument known by these names."

LANGUAGE: ENGLISH

LOAD-DATE: January 4, 1994

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Example: House of Representatives

FOCUS



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AP Worldstream

April 28, 1994, Thursday 10:25 Eastern Time

**SECTION:** International news

**LENGTH:** 140 words

**HEADLINE:** British Firm Sues Two Lebanese Men For Embezzlement

**DATELINE:** BEIRUT, Lebanon

**BODY:**

A British company is suing two Lebanese men on a charge of embezzling dlr 30 million, the newspaper An-Nahar reported Thursday.

An-Nahar said the company, Managed Opportunities, had filed a lawsuit for **fraud** and misappropriation of funds against Fayek and Fayeze Ataya, owners of the Cyprus-based Kinitor company.

It was not known whether the two defendants were related. Their whereabouts also could not be determined.

Managed Opportunities is registered in the Isle of Man, a British island commonly used as a base for "offshore" corporations. The company is owned by the **Clerical Medical Insurance** group, the paper reported.

It quoted Emile Kanaan, the Lebanese lawyer of Managed Opportunities, as saying Kinitor had sold dlr 30 million worth of forged and illegal prime **bank** guarantees to his clients. (af-mdm)

**LANGUAGE:** ENGLISH

**LOAD-DATE:** April 28, 1994

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**FOCUS™**

**Search:** General News;clerical w/2 medical and insurance and bank and fraud

To narrow this search, please enter a word or phrase:

**FOCUS**

*Example:* House of Representatives

2914

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http://web.lexis-nexis.com/lx.univ...5=25f03d773326bc27644a1873b6d4be3e

Copyright 1994 Times Newspapers Limited  
The Times

July 11, 1994, Monday

SECTION: Business

LENGTH: 327 words

HEADLINE: Clerical Medical regains Pounds 20m

BYLINE: Tony Hetherington

**BODY:**

**CLERICAL Medical**, the insurance and investment group, has reached an agreement with a Caribbean bank and a Cypriot company to regain control of Pounds 20 million of its investors' money that has been frozen in a Cyprus bank account for the past year.

The money was subscribed by hundreds of British investors to finance offshore broker bonds. The bonds were managed on behalf of **Clerical Medical** by Bankhall Investment Management, a Fimbra member based at Altrincham, Cheshire.

Investors' funds were to have been used in a complex scheme involving trading in prime bank guarantees, financial instruments that have been the subject of warnings from the World Bank and the United States Federal Reserve after their widespread use in fraud.

**Clerical Medical** alleged that Bankhall transferred the Pounds 20 million without authority to an account at Lombard NatWest Bank in Limassol, Cyprus. The account was in the name of Hanover Bank, a tiny banking firm authorised by the government of Antigua. Hanover was to have bought prime bank guarantees from Kinitor Limited, of Cyprus, which was to buy them from a London company, Corporate Financial Investments.

When **Clerical Medical** tried to retrieve its money, Kinitor got an injunction, freezing the funds in Cyprus. Kinitor then started legal proceedings against Hanover Bank and Lombard NatWest, while Managed Opportunities Limited a **Clerical Medical** offshoot sued Hanover, Kinitor, and Lombard NatWest.

These actions have now been withdrawn, with all sides agreeing that the order freezing the Limassol account be lifted. The terms of the agreement are secret, but it is understood that Hanover's legal costs have been met by Bankhall.

In addition, **Clerical Medical** has approved a substantial payment to Hanover Bank and Kinitor. The sum involved is thought to be about Pounds 400,000.

In the United Kingdom, Fimbra and the Securities and Investments Board are conducting enquiries.

LANGUAGE: ENGLISH

LOAD-DATE: July 12, 1994

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**FOCUS™**

Search: General News;clerical w/2 medical and insurance and bank and fraud

To narrow this search, please enter a word or phrase:

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Financial Times (London)

July 19, 1994, Tuesday

SECTION: Pg. 9

LENGTH: 314 words

HEADLINE: Suspension lifted on fund managers

BYLINE: By IAN HAMILTON FAZEY, Northern Correspondent

**BODY:**

Fimbra, the regulator for financial intermediaries, managers and brokers, yesterday lifted the 11-month suspension of the individual registrations of Mr Paul Hogarth and Mr David Warnock, co-owners of Bankhall Investment Management of Altrincham, Cheshire.

The suspensions last August followed a dispute between Bankhall and Clerical Medical International over the alleged unauthorised transfer of Pounds 20m to an account at Lombard NatWest Bank in Limassol, Cyprus, for a complex investment scheme involving offshore financial instruments.

The account was in the name of Hanover Bank, which is authorised by the government of Antigua. When CMI - a Clerical Medical offshoot based in the Isle of Man - tried to recover the money Kinitor, a Cypriot company involved in the scheme, obtained an injunction freezing the funds.

Legal proceedings were started by Kinitor against Hanover and Lombard NatWest, as well as by Managed Opportunities, another Clerical Medical subsidiary, against Kinitor, Hanover and Lombard NatWest. Mr Hogarth and Mr Warnock also alleged defamation by CMI.

Following a secret out-of-court settlement, all actions have been withdrawn and the money returned with interest.

Bankhall, which employs 15 people and manages about Pounds 50m of private client funds, was not suspended and has continued to trade throughout Fimbra's inquiries, some of which are understood to be continuing.

Mr Hogarth and Mr Warnock can resume giving advice to Bankhall clients. Mr Hogarth said yesterday: 'Bankhall has worked closely with the regulator throughout in bringing this matter to a satisfactory conclusion. I would like to thank our clients and professional connections throughout the UK for their support.'

Fimbra said the two fund managers had been suspended under a Rule 7 direction, which can be made against individuals or a member firm.

LANGUAGE: ENGLISH

LOAD-DATE: July 19, 1994

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**FOCUS™**

Search: General News;clerical w/2 medical and hanover

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 Accountancy

April 1995

SECTION: Vol. 115, No. 1220 Pg. 46-47; ISSN: 0001-4664; CODEN: ACTYAD

LENGTH: 1239 words

HEADLINE: Primed for fraud

BYLINE: Carty, Peter

#### BODY:

Returns from **bank** and building society deposits remain relatively low while stockmarket performance continues to disappoint. In this climate many businesses are keen to find more lucrative investments. Schemes that appear to have the backing of major **banks** seem particularly attractive.

Beware. ACCOUNTANCY recently carried a notice from IMRO warning readers about 'the continuing proliferation of potentially fraudulent schemes involving the issuance, trading or use of so-called "prime" **bank**, "prime" European **bank** or "prime" world **bank** financial instruments' (see February issue, p 100). Promoters offer high returns on such instruments, but investors lose all of their capital.

Estimates of the amounts that have been defrauded using these securities vary. According to the International Chamber of Commerce, investors around the world have already lost more than L1bn since the **frauds** began in the early 1990s.

The Salvation Army was allegedly defrauded of over \$ 8.8m (L6.2m) in 1993 through a scheme involving standby letters of credit, though steps have been taken to recover some of the funds.

Clerical Medical Insurance (CMI) almost lost L20m from its Isle of Man operation in June 1993. 'The money was moved to a **bank** account in Cyprus and it took us a little while to unfreeze it,' says Nigel Gardner, chief executive of CMI's Isle of Man operations. 'It got slightly out of control.' Bloomberg Business News agency, which has conducted extensive enquiries into fake instrument **frauds**, asserts that the transfer was part of a prime **bank** note scheme, something that Mr Gardner neither confirms nor denies.

The **frauds** vary in detail, but have common elements. Many involve standby letters of credit (SLCs). These are issued by **banks** as a fallback against non-payment of debts relating to specific transactions by customers. SLCs are not transferable to third parties, so that there is no secondary market in them.

But fraudsters claim that an inter-**bank** market in SLCs exists and give them labels such as 'prime **bank** notes'. Fake versions of other instruments including letters of credit, promissory notes and debentures have also appeared.

Bankers are noted both for discretion and a desire to please clients. These factors have made **banks** particularly vulnerable to fake instrument **frauds**. The **frauds** involve **banks** in three ways: in the issuing of fake securities, in the production of documentation relating to them and in their use for fraudulent transactions.

At a **fraud's** inception, 'issuing' **banks** are sometimes tricked into producing plausible looking instruments. Fraudsters have also altered **bank** documentation to produce fake securities. On occasions, corrupt **bank** employees have assisted fraudsters in their creation acting without their **bank's** authority.

Two Bahrain-based Merrill Lynch brokers sold prime **bank** notes with a supposed value of L5m early in 1994. They have since been dismissed. In 1992 a senior Paine Webber employee attempted to sell

billions of dollars' worth of prime **bank** notes to potential investors in London. He has now left the company.

Many fraudulent schemes revolve around the purchase of prime **bank** notes at a discount. They are to be used as security for a loan of the same value from another **bank**. Purchasers are left with a profit equal to the discount less the transaction's fees -- in theory. In practice, of course, the capital disappears.

Potential victims are given stories to explain why dealings in the securities are covert, including, for example, that the **banks** use them to keep liabilities off their balance sheets and are not keen on publicity.

The **frauds** then often involve a 'depository' **bank**. The fraudster will request this **bank** to provide a letter acknowledging custody of the **bank** note, signed by a senior **bank** official and confirming details of its nominal value, serial number and date of issue. When shown to potential victims, this invests the fake instrument with greater credibility.

Another **bank** may unwittingly act as the 'closing' **bank** in the **fraud**. It opens joint accounts for the fraudsters and the potential victims. The fraudsters arrange for the fake instrument to be received by the **bank** and its officials to act as a channel of communication to advise the victims of receipts of funds and securities. A spurious deadline is often imposed to hurry the transaction along. This gives less time for the victims to fully think through any suspicions they might have.

Often the victims are asked to sign a non-disclosure or non-circumvention agreement. This inhibits them from making checks with **banks** and regulatory authorities.

If this all seems complex, it is meant to be. The fraudsters weave a web of deceit, often using several **banks** in different countries. The aim is to confuse victims into transferring funds into accounts over which the fraudsters have control. The funds then disappear, often into a maze of other **bank** accounts.

Proving cross-border **fraud** has taken place and recovering the money is very difficult. Fraudsters are well aware of this. 'They don't generally prey on victims in the jurisdictions they're trading in,' says Tony McStravick, senior consultant at investigations agency Kroll Associates UK Ltd and former head of the Metropolitan Police's **fraud** squad. It is difficult and expensive for the authorities to travel abroad to collate evidence. Where false front **banks** and institutions are in place, further problems are posed. 'It is always difficult to prove a negative, that a **bank** doesn't exist,' says Mr McStravick.

When funds are not recoverable from fraudsters, the victims often sue the **banks** and other institutions involved. The consequences can be severe. Last year, Banka Bohemia, at one point the seventh largest **bank** in the Czech Republic, collapsed after issuing \$ 1.2bn in prime **bank** guarantees.

Unfortunately, as well as bankers, accountants can also find themselves involved, by unwittingly becoming associated with attempts to raise funds using fake instruments (see panel).

Scams using fake instruments are so widespread that in the Netherlands and in San Diego organisations have actually been marketing information on how they can be perpetrated. Advertisements for the instruments appear in the financial press and before replying to any of these it is necessary to heed IMRO's warning that states 'thus far IMRO is unaware of the legitimate use of any note, guarantee, letter of credit, debenture, or similar type of financial instrument which includes in its description the expression "prime **bank**".'

Protecting yourself and your clients against this kind of **fraud** is essential. Kroll's Tony McStravick advises institutions to be careful when suspicions are aroused: 'Never send them a fax or letter, or hand out business cards.' Fraudsters can use any of them as the basis for forged documents, or incorporate them straight into their scams.

He urges caution over transactions involving securities that seem dubious. More generally, deals that appear to be too good to be true often are. 'Do you believe in Santa Claus?' he asks.

It seems that many still do. According to Mr McStravick, victims who believe that the fake instruments are bona fide include finance directors.

Some victims find it hard to come to terms with the fact that they have been deceived. 'The money's gone and they still can't believe it's a **fraud**,' says Mr McStravick.

LANGUAGE: ENGLISH

JOURNAL-CODE: ACE

AVAILABILITY: Full text online. Photocopy available from ABI/INFORM 2162.00

ABI-ACC-NO: 01033353

LOAD-DATE: March 13, 1996

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Example: House of Representatives

FOCUS

2919

Senate Permanent Subcommittee  
On Investigations  
EXHIBIT # 58d

Exhibit 58d.

**Eric Rawle Samuel documents**

JUN 01 '88 10:04AM MK



U.S. Department of Justice

P. 12/13

*United States Attorney  
Northern District of Georgia*

---

*Suite 1800 Richard Russell Building Telephone (404) 331-6854  
75 Spring Street, S.W.  
Atlanta, Georgia 30335*

FOR IMMEDIATE RELEASE  
January 19, 1994

NEWS RELEASE

Gerrilyn G. Brill, United States Attorney for the Northern District of Georgia, and D. Carroll Toohy, Special Agent in Charge, Federal Bureau of Investigation, Atlanta, Georgia, announced today the guilty plea of ERIC RAWLE SAMUEL, age 34, of London, England to a one count indictment charging him with money laundering. He faces a maximum of twenty years incarceration, \$250,000 fine, and five years supervised release.

Last summer, from his office in London, England, Mr. SAMUEL agreed to launder up to \$12,000,000 of drug proceeds. SAMUEL stated that he had set up an offshore bank by the name of Hanover Bank based in Antigua for the purpose of handling such transactions. On two occasions, August 19-20, 1993, and September 10, 1993, SAMUEL traveled to Atlanta, Georgia, for the purpose of providing letters of credit issued by Hanover Bank in exchange for the cash drug proceeds to be laundered and his fee of \$100,000 per million. SAMUEL was arrested on September 10, 1993, when he exchanged a \$1,000,000 Hanover Bank letter of credit for his \$100,000 fee. SAMUEL's arrest resulted from an FBI undercover operation to investigate international money laundering.



JUN 01 '00 10:04AM MK

P.13/13

United States Attorney Gerrilyn G. Brill expressed her appreciation to the Federal Bureau of Investigation and its affiliate office in Barbados for its assistance in this case.

The case was prosecuted by Assistant United States Attorney Martin J. Weinstein.

Sentencing is set for March 25, 1994, before the Honorable Richard C. Freeman at 9:30 a.m.

For further information contact United States Attorney Gerrilyn G. Brill at (404) 331-4960 or Richard E. Deane, Chief, Criminal Division, at (404) 331-4743.

FILED IN OPEN COURT  
U.S.D.C. - AtlantaIN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF GEORGIA  
ATLANTA DIVISION

OCT 05 1993

O. Walker  
LUTHER D. THOMAS, CLERK  
By: Deputy Clerk

UNITED STATES OF AMERICA :

V. :

ERIC RAWLE SAMUEL :

CRIMINAL INDICTMENT

NO. 1

I: 93-CR-420

The Grand Jury charges that:

A. Introduction

1. At all times relevant to this indictment, Defendant ERIC RAWLE SAMUEL resided in London, England.

2. Defendant ERIC RAWLE SAMUEL represented himself to be an employee of an off-shore bank, THE HANOVER BANK LIMITED (hereinafter HB). Defendant ERIC RAWLE SAMUEL represented that HB was chartered on August 12, 1992, and that the registered Agent of HB is located on High Street, St. John's, Antigua. Defendant ERIC RAWLE SAMUEL represented himself also be an employee of HANOVER NOMINEES LIMITED, a Antigua corporation chartered on August 20, 1992.

B. Object of the Scheme

3. From on or about July 28, 1993, through approximately September 10, 1993, in the Northern District of Georgia, the Defendant ERIC RAWLE SAMUEL did knowingly intend to conceal and disguise the nature, location, source, ownership and control of property believed to be the proceeds of specified unlawful

activity, to wit the buying, selling or otherwise dealing in narcotic or dangerous drugs. During said time period, Defendant ERIC RAWLE SAMUEL attempted to conduct a financial transaction involving property represented to him by a law enforcement officer, or by another person at the direction of a law enforcement officer, to be proceeds of said specified unlawful activity.

C. Means of the Scheme

It was a part of the scheme that:

4. Defendant ERIC RAWLE SAMUEL actively participated in an attempt to launder \$1,000,000 in cash which was represented to him to be drug proceeds.

5. Defendant ERIC RAWLE SAMUEL, through the use of HB, caused to be issued \$1,000,000 face value of an HB line of credit.

6. Defendant ERIC RAWLE SAMUEL was to exchange the HB line of credit for the anticipated wire transfer of \$1,000,000 in drug proceeds to London, England.

7. Defendant ERIC RAWLE SAMUEL was to use his international banking connections to manipulate the drug proceeds through wire transfers to "clean" the money.

8. When the money arrived in England, Defendant ERIC RAWLE SAMUEL would cause the money to arrive in an HB account. Defendant ERIC RAWLE SAMUEL would personally handle the redemption of the HB line of credit and would subsequently disburse the proceeds to any location deemed necessary by the providers of the drug proceeds.

D. Overt Acts

9. On or about July 28, 1993, Defendant ERIC RAWLE SAMUEL represented that he was able to form an off-shore bank named THE HANOVER BANK LIMITED (HB).

10. On or about July 28, 1993, in response to being told that there was a need for \$1,000,000 in cash per month to be "cleaned," Defendant ERIC RAWLE SAMUEL stated he would discuss the situation with the Managing Director of HB. Defendant ERIC RAWLE SAMUEL also stated that this was the reason HB was formed in the first place and it is the only way to make money.

11. On or about July 29, 1993, in response to being told that the \$1,000,000 per month represented cash from drug proceeds, Defendant ERIC RAWLE SAMUEL stated that things should be toned down because telephone calls could be listened to. Defendant ERIC RAWLE SAMUEL also stated he would prefer to discuss the transaction in person.

12. On or about August 18, 1993, Defendant ERIC RAWLE SAMUEL flew Delta Airlines flight 19 from London, England to Atlanta, Georgia.

13. On or about August 19, 1993, in Atlanta, Georgia, Defendant ERIC RAWLE SAMUEL participated in a meeting with a cooperating witness where the laundering transaction was discussed. Defendant ERIC RAWLE SAMUEL stated he would be able to handle the transaction and that he had a method to handle cash if it arrived in London. Also, during this meeting, Defendant ERIC RAWLE SAMUEL provided the following HB documents to prove the legitimacy of his

organization: Articles of Incorporation; Certificate of Incorporation and Good Standing; License to Conduct an International Banking, Trust, or Insurance Business; and Tax Exemptions and Reductions of Antigua and Barbados. Defendant ERIC RAWLE SAMUEL stated that the only problem was getting the money out of the United States because getting the money back in was no problem.

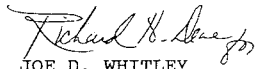
14. On or about August 20, 1993, Defendant ERIC RAWLE SAMUEL participated in another meeting where the laundering transaction was discussed. Defendant ERIC RAWLE SAMUEL stated he would provide a "clean" instrument, that being an HB \$1,000,000 line of credit, for the drug proceeds. Defendant ERIC RAWLE SAMUEL was informed by a cooperating witness that it was possible that the cash could be wire transferred out of the United States to England, thus alleviating the problem of getting the cash out of the country. Defendant ERIC RAWLE SAMUEL stated he preferred this method because once the money arrived in England, there would be no problem handling the transaction.

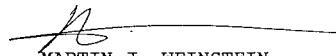
15. On or about August 23, Defendant ERIC RAWLE SAMUEL stated that if the money was wired to London, as opposed to arriving as cash, the laundering transaction could be handled for a 10% fee.

16. On or about August 24, 1993, Defendant ERIC RAWLE SAMUEL caused a facsimile to be sent which he represented to be an HB line of credit, in the amount of \$1,000,000.

17. On or about September 10, 1993, Defendant ERIC RAWLE SAMUEL participated in a closing where he presented an HB letter of credit, in the amount of \$1,000,000, and where he received what he believed to be his fee of 10%, that being \$100,000 in cash.

All in violation of Title 18, United States Code, Section 1956 (a) (3) (B).

  
JOE D. WHITLEY  
UNITED STATES ATTORNEY

  
MARTIN J. WEINSTEIN  
ASSISTANT UNITED STATES ATTORNEY

A True BILL  
Charles K. McCuller  
FOREPERSON

ATTEST: A TRUE COPY  
CERTIFIED THIS

JUN 20 2000

Luther D. [Signature] Clerk  
By: [Signature]  
Deputy Clerk

## United States District Court

NORTHERN DISTRICT OF GEORGIA

FILED IN OPEN COURT

9-10-93

Luther D. Thomas, Clerk

By: *Waits*

Deputy Clerk

UNITED STATES OF AMERICA  
v.

ERIC SAMUEL

## CRIMINAL COMPLAINT

CASE NUMBER: 1:93-M-1025

(Name and Address of Defendant)

I, the undersigned complainant being duly sworn state the following is true and correct to the best of my knowledge and belief. On or about SEPTEMBER 10, 1993 in FULTON county, in theNORTHERN District of GEORGIA defendant(s) did, (Track Statutory Language of Offense)

with the intent to conceal and disguise the nature, location, source, ownership, and control of property believed to be the proceeds of specified unlawful activity conducted and attempted to conduct a financial transaction involving property represented to be the proceeds of specified unlawful activity.

in violation of Title 18 United States Code, Section(s) 1956(a)(3)(B)I further state that I am a (X) Special Agent, FBI and that this complaint is based on the following facts:

SEE ATTACHED

ATTEST: A TRUE COPY  
CERTIFIED THIS

JUN 20 2000

Luther D. Thomas, Clerk  
By: *Waits*  
Deputy ClerkContinued on the attached sheet and made a part hereof: ☒ Yes ☐ No*Steven J. McGinty*Signature of Complainant  
STEVEN J. MCGINTY

Sworn to before me and subscribed in my presence,

Date SEPTEMBER 10, 1993at ATLANTA, GEORGIA  
City and StateALLEN L. CHANCEY, JR.  
UNITED STATES MAGISTRATE JUDGE

Name &amp; Title of Judicial Officer

*Allen L. Chancey, Jr.*  
Signature of Judicial Officer

AFFIDAVIT

I, STEVEN J. MCGINTY, being duly sworn, depose and say:

1. I am a Special Agent of the FEDERAL BUREAU OF INVESTIGATION (FBI) assigned to the Atlanta, Georgia, office of the FBI and have been so employed for approximately 4 years. I am currently conducting an investigation into the activities of ERIC SAMUEL ostensibly doing business as THE HANOVER BANK LIMITED. I submit this affidavit based upon my personal knowledge and information supplied to me both by law enforcement personnel and others assisting in the investigation.

2. In the past, a confidential informant (CI) has had telephone conversations with ERIC SAMUEL, London, England. SAMUEL was in the process of establishing an off-shore bank, TRINITY BANK, which was to be located in Antigua. The CI has had discussions with SAMUEL concerning money laundering. The CI has told SAMUEL that the CI represented underworld figures who might need an off-shore bank to place certain financial instruments or cash. Eventually these instruments or cash would need to be returned to the United States. SAMUEL offered the use of TRINITY BANK for whatever legal or illegal means that the CI needed the off-shore bank for.

3. On 7/28/93, at approximately 11:55 AM, CI telephonically contacted SAMUEL in London, England at telephone number 44 71 267 7588. SAMUEL answered the



telephone as HANOVER BANK. SAMUEL told the CI that he had been trying to reach the CI but was unsuccessful because the CI's telephone numbers were disconnected. SAMUEL was trying to contact the CI to inform the CI that SAMUEL was successful in establishing a bank. SAMUEL wanted the CI to know that the bank was ready for the CI's business. SAMUEL indicated that he was not successful in establishing TRINITY BANK. After starting over from scratch, SAMUEL was able to establish THE HANOVER BANK LIMITED (HB). SAMUEL stated that this bank was now up and running in Antigua. SAMUEL indicated that HB had good correspondent banks such as STANDARD OF SOUTH AFRICA, Jersey, and HARRIS, New York City, New York. SAMUEL indicated he was looking for ways to make money. SAMUEL stated that HB had been involved in Prime Bank Guarantees but they were a waste of time.

4. During the 7/28/93 telephone conversation, SAMUEL was informed that the CI represented some Houston associates who the CI had dealt with in the past. SAMUEL was informed that this group were previously using BCCI (THE BANK OF CREDIT AND COMMERCE INTERNATIONAL) to clean up some money. At this point, the CI inquired if it was alright to talk freely on the telephone and SAMUEL said yes. The CI informed SAMUEL that the CI had a need to move approximately \$1,000,000.00 per month but wanted it done off-shore for various reasons. The CI indicated that the CI was worried about the Caymans and the Bahamas because of the activity of Federal Agents. The CI

inquired if SAMUEL could handle this amount and SAMUEL indicated he would talk with the Managing Director, TONY, about it. SAMUEL further stated that the only way to make some money was to do this sort of business. SAMUEL indicated that this business was the reason why HB was formed in the first place.

5. On 7/29/93, at approximately 10:55 AM, SAMUEL telephonically contacted the CI. SAMUEL indicated for security purposes, they must talk in code. SAMUEL claimed to have discussed the transaction with TONY and this deal is something that HB would be able to handle. The CI informed SAMUEL that the Houston group were gentleman but they were underworld people. SAMUEL was informed by the CI that the money represented drug proceeds. SAMUEL instructed the CI to tone things down because telephone calls could be listened into.

6. During the 7/29/93 conversation, SAMUEL inquired about the fees for handling the transaction. SAMUEL was informed that the fees were negotiable but they would be between 5% and 10%. The CI informed SAMUEL that the main thing was to clean the situation up. SAMUEL indicated he understood this.

7. During the 7/29/93 conversation, the CI explained to SAMUEL that he needed to have a test run of \$50,000.00. The CI needed to show the Houston group good cause that HB would be able to handle the \$1,000,000.00 per month transaction.

SAMUEL was informed that his fee for this transaction would be \$5,000.00. The CI requested a HB financial instrument be lodged in an Atlanta correspondent bank. The CI would deposit \$50,000.00 into this correspondent bank when the instrument arrived. The CI requested a 5 to 7 day negotiable instrument. The CI indicated that if this transaction was successful, it would show good faith to the Houston group.

8. During the 7/29/93 conversation, SAMUEL requested a meeting with the CI. SAMUEL indicated he wanted to personally meet with the CI because of the telephones.

9. During the 7/29/93 conversation, SAMUEL knew of an individual in Japan who was in a liquid position. SAMUEL indicated this individual had a need for assets outside of Japan. This individual needed to exchange cash for an asset. The CI inquired if the Japanese individual needed to do the same type of business that the CI and SAMUEL were doing and SAMUEL replied absolutely.

10. On 7/29/93, at approximately 11:17 AM, SAMUEL telephonically contacted the CI. SAMUEL stated that he hoped the CI could follow this. SAMUEL indicated the transaction that they discussed 5 minutes ago, HB would not be able to handle. SAMUEL indicated that the loan situation, the loan agreements, discussed was something that HB could handle. In regards to the transaction, SAMUEL stated that because of the way the transaction was presented, because of the origin, HB could not handle it. SAMUEL stated he wanted to meet. SAMUEL

stated that he preferred if they met and would feel better if they did. The CI inquired if SAMUEL could travel to Atlanta and SAMUEL indicated he would discuss it with TONY.

11. On 7/29/93, at approximately 11:30 AM, the CI telephonically contacted SAMUEL. The CI apologized for coming on too strong and explained that the CI was new at this. The CI inquired if SAMUEL could come to Atlanta and sit down to discuss the transaction further. SAMUEL stated that the bank could not get involved in this type of business. SAMUEL indicated that he would talk to TONY in detail and recontact the CI.

12. On 7/29/93, at approximately 12:59 PM, SAMUEL attempted to contact the CI and left a message for the CI to call SAMUEL. SAMUEL also left his mobile number for further contact, 860 260 307.

13. On 7/29/93, at approximately 1:19 PM, the CI telephonically contacted SAMUEL. SAMUEL informed the CI that he had talked to TONY and they wanted the CI to travel to London. SAMUEL explained that he had been involved in similar scenarios, paid expenses, and then nothing happened. The CI offered to contact his Houston associates to see if they would pay the expenses for SAMUEL to travel to Atlanta.

14. On 7/29/93, at approximately 1:33 PM, SAMUEL telephonically contacted the CI. SAMUEL requested that since this was the first meeting, that it occur on his soil. The CI informed SAMUEL that due to other business obligations, the CI

could not travel to London. SAMUEL expressed a fear that because of the nature of the loan arrangement, he does not know what is on the other side. SAMUEL stated that he was worried about the authorities and a set up. SAMUEL inquired how well did the CI know the Houston group. The CI replied that he has done business with this group for many years, otherwise he would not attempt this type of transaction. SAMUEL indicated that you never knew who was listening in on the conversation and also that SAMUEL was worried about using that expression.

15. On 7/31/93, at approximately 6:21 AM, on 8/2/93, at approximately 10:49 AM, and on 8/3/93, at approximately 1:04 PM, SAMUEL tried to contact the CI. SAMUEL left messages on an answering machine each time indicating his desire to travel to Atlanta to met the CI.

16. Between 8/4/93 and 8/11/93, numerous telephone conversations occurred between the CI and SAMUEL in order to finalize SAMUEL's travel plans. SAMUEL left London Gatwick Airport on 8/18/93, at approximately 2:50 PM (GMT). SAMUEL flew DELTA flight 19 and arrived in Atlanta on 8/18/93 at approximately 6:45 PM (EST). SAMUEL stayed at the J. W. MARRIOTT, Atlanta, Georgia, room 300, for the evening of 8/18/93.

17. On 8/19<sup>th</sup>/93, at approximately 10:00 AM, the CI met SAMUEL at room 300 of the J. W. MARRIOTT, Atlanta, Georgia. The CI apologized for mentioning the proceeds on the telephone

and SAMUEL said that was no problem. SAMUEL requested that they conduct the business meeting in the coffee shop. SAMUEL indicated because of the nature of the business, he was terrified of hotel rooms. SAMUEL explained that the SFO (SERIOUS FRAUD OFFICE) in London have got the hotels bugged.

18. During the 8/19/93 meeting, SAMUEL discussed the bank. HB was chartered in Antigua approximately 1 year ago as THE HANOVER BANK. SAMUEL indicated that himself, TONY FITZPATRICK and another individual were behind the bank. SAMUEL stated that his name and the other 2 individuals names do not appear on the HB charter for obvious reasons. The London office of HANOVER is set up as a correspondent office. SAMUEL indicated that the bank is fully paid up and has an asset base of \$1,000,000.00.

19. During the 8/19/93 meeting, SAMUEL indicated that he and HB had been working on Prime Bank Guarantees (PBGs). The CI inquired if PBGs were just a scam and SAMUEL replied absolutely.

20. During the 8/19/93 meeting, the CI stated that he had allocated to him \$1,000,000.00 per month for a total of \$12,000,000.00. SAMUEL acknowledged that he knew who the CI's associates were and where the money was coming from.

21. During the 8/19/93 meeting, SAMUEL requested to know what the fee would be for this transaction. The CI replied that 10% was offered by his associates and SAMUEL and the CI would split this amount. SAMUEL stated that the fee for this

type of transaction in Europe was between 15% to 25%. The CI explained that he would attempt convince the Houston group to increase SAMUEL's fee to 10%.

22. During the 8/19/93 meeting, SAMUEL explained what would happen to the cash once it arrived in London. SAMUEL indicated he knew 4 Attorneys who would accept \$250,000.00 cash each and deposit it into separate client accounts. SAMUEL stated that the lawyers would run the money through their accounts and then get it back into the HB accounts.

23. During the 8/19/93 meeting, the CI indicated to SAMUEL that the CI had underworld connections who could have the money delivered anywhere. The CI stated that the CI could get the proceeds to anywhere SAMUEL wanted them.

24. During the 8/19/93 meeting, SAMUEL indicated that he had an associate in New York, MIKE, who was an expert for deals like this. SAMUEL stated that MIKE knows the system. SAMUEL indicated that he planned on travelling to New York to discuss this transaction with MIKE because he did not like talking on the telephone from the hotel, including pay telephones.

25. During the 8/19/93 meeting, SAMUEL stated that he was paranoid. SAMUEL indicated that since the fall of the iron curtain, the intelligence groups were looking at laundering. SAMUEL indicated that SAMUEL and HB were handling a lot of drugs and money laundering from Nigeria. SAMUEL indicated he had a lot people in London that specialized in

handling these type of deals. SAMUEL stated that cleaning up the CI's proceeds was nothing new. SAMUEL directed the CI to refer to the proceeds as white summer shirts.

26. During the 8/19/93 meeting, SAMUEL stated that he had an individual at SHEARSON-LEHMAN, West Palm Beach, Florida, who was on the take. SAMUEL indicated to the CI that with 1 telephone call, SAMUEL could set up an account for the CI.

27. During the 8/19/93 meeting, SAMUEL provided the CI with numerous documents concerning HB. The documents included the Articles of Incorporation of HB, Certificate of Incorporation of Good Standing, License to Conduct an International Banking, Trust or Insurance Business, Tax Exemptions and Reductions of Antigua and Barbados, and a HB account application. SAMUEL cautioned the CI to only show the documents to the Houston group because they were very confidential. SAMUEL indicated that the Houston group could contact the Minister of Banking in Antigua to check out the authenticity of HB. SAMUEL cautioned the CI to not use the hotel copier because in Europe, the copiers record what was copied. SAMUEL asked that the CI copy the documents at the CI's office and return the original documents to SAMUEL.

28. During the 8/19/93 meeting, SAMUEL indicated he could set up the transaction with no problem. SAMUEL stated he didn't want to meet the CI's people but it was up to the CI if the CI wanted to meet SAMUEL's people in New York. SAMUEL



indicated that there was no problem with the CI making a collection on the HB instrument. SAMUEL indicated that the instrument could be negotiated in the United States, possibly through SAMUEL's SHEARSON-LEHMAN contact. SAMUEL pointed out that the only problem he saw was getting the funds to his destination. SAMUEL expressed that there was a good chance that his contact in New York could solve this problem. SAMUEL indicated that getting the money back from off-shore was no problem.

29. On 8/19/93, SAMUEL travelled from Atlanta, Georgia to Newark, New Jersey via KIWI AIRLINES. SAMUEL left on the 7:05 PM flight and arrived at approximately 9:15 PM.

30. On 8/20/93, SAMUEL travelled from Newark to Atlanta on KIWI AIRLINES. The flight left Newark at approximately 4:15 PM and arrived at approximately 6:44 PM. SAMUEL proceeded to the J. W. MARRIOTT where he had rented a room for the evening.

31. On 8/20/93, at approximately, 8:45 PM, the CI met with SAMUEL in the lobby of the J. W. MARRIOTT, Atlanta, Georgia. SAMUEL stated that he had travelled to New York to talk to his associate and had been up until 5:00 AM, 8/20/93. SAMUEL indicated that he had a successful meeting with an individual named JOHN. SAMUEL stated that JOHN was 63 years old and had been a banker all his life and he had fantastic contacts. SAMUEL indicated that JOHN had a client who had \$500,000.00 on deposit at CHEMICAL BANK, New York.

32. During the 8/20/93 meeting, SAMUEL offered the following plan on how to get the cash proceeds out of the United States:

- A. The CI was to deposit the cash into JOHN's client's account at CHEMICAL BANK. The client would receive a 10% fee for the use of the account.
- B. CHEMICAL BANK would issue a Letter of Credit with the beneficiary being HB.
- C. SAMUEL would take the Letter of Credit to Jersey and disburse it into a HB account.

33. During the 8/20/93 meeting, the CI indicated to SAMUEL that he was nervous about using CHEMICAL BANK. The CI stated that the CI was worried about placing \$500,000.00 cash into a bank. It was decided between the CI and SAMUEL that the biggest problem was getting the cash out of the United States.

34. During the 8/20/93 meeting, the CI told SAMUEL that he had a contact in an insurance company that might be able to solve their problem of getting the cash out. The CI stated that this individual would be able to move the cash out of the United States through his insurance connections. The CI stated that the insurance man was in the CI's pocket. SAMUEL stated that he would prefer on using the CI's insurance contact. The CI indicated that he had a meeting with the insurance individual and that the insurance person would have

no problem getting the cash out of the United States. SAMUEL stated that once the money arrived at the HB account at STANDARD BANK, there would be no problem. ^

35. During the 8/20/93 meeting, the CI expressed the CI's concern regarding the proceeds from the white shirts. The CI stated that the CI needed to absolutely sure that when the instrument was sent for collection, the funds were 100% clean.

36. During the 8/20/93 meeting, the CI requested a HB Certificate of Deposit (CD) as the financial instrument of choice. The CI requested the CD be made payable to SOUTHEASTERN DIVERSIFIED FINANCIAL SERVICES, the CI's company. The CI requested the amount be \$1,000,000.00 and have a maturity date of 1 year and 1 day. The CI indicated that SAMUEL could determine the interest rate. SAMUEL stated that the CD's would be of good quality, have the proper seals, and be signed by SAMUEL and TONY.

37. During the 8/20/93 meeting, the CI reiterated the CI's concern about the proceeds being clean when they return to the United States. The CI requested SAMUEL's ultimate word that SAMUEL would clean it and SAMUEL replied absolutely.

38. During the 8/20/93 meeting, SAMUEL requested that the insurance contact accept the cash from the CI and wire transfer the \$1,000,000.00 to the HB account at STANDARD BANK. The CI indicated he would discuss this option with the insurance contact.

39. During the 8/20/93 meeting, SAMUEL indicated that because the instrument was in the CI's company name, the company would have to become a client of HB and open an account.

40. During the 8/20/93 meeting, SAMUEL indicated he would provide the CI with a clean instrument. SAMUEL stated that the normal instrument used by HB was a Line Of Credit (LC). It was decided between the CI and SAMUEL to use a LC for this transaction. SAMUEL indicated that he had the capability to handle the transaction if it was all occurring in the United Kingdom. SAMUEL preferred that the CI get the money out of the United States and SAMUEL would handle it from there. SAMUEL indicated he would cause a HB LC to be issued, have it signed by TONY FITZPATRICK and himself, and have the signatures authenticated.

41. During the 8/20/93 meeting, a closing was scheduled for Thursday, 8/26/93. It was decided by the CI and SAMUEL that SAMUEL would exchange the HB LC for his fee.

42. During the 8/20/93 meeting, SAMUEL agreed that he established HB for the purpose of selling Prime Bank Guarantees and for business like this.

43. On 8/23/93, at 2:36 PM, the CI telephonically contacted SAMUEL. SAMUEL indicated that the 10% fee negotiated might not be enough to handle the transaction. SAMUEL stated that if the cash arrived in London, it would cost more to pay the Lawyers to help in the transaction.

SAMUEL requested that the CI contact his insurance person and determine if this person could wire the money over to England from outside of the United States. SAMUEL indicated that the transaction could be handle for a 10% fee if the money was wired as opposed to arriving in cash. The CI claimed he would meet the insurance contact and discuss this possibility.

44. On 8/24/93, SAMUEL sent a copy of a HB LC via facsimile. The LC was made out to SOUTHEASTERN DIVERSIFIED FINANCIAL SERVICES, INC. and was in the amount of \$1,000,000.00.

45. On 8/24/93, at approximately 11:19 AM, the CI sent a corrected version of the HB LC to SAMUEL at facsimile number 714858144.

46. On 8/24/93, between approximately 11:44 AM and 11:45 AM, between approximately 12:55 AM and 1:17 PM, between 1:32 PM and 1:34 PM, and between approximately 1:40 PM and 1:40 PM, the CI and SAMUEL had telephone discussions. SAMUEL and the CI discussed the HB LC and the necessary changes. SAMUEL was informed that the insurance contact would be able to wire transfer the white shirt proceeds wherever SAMUEL desired. SAMUEL requested to only met with the CI and nobody else at the closing. It was decided between SAMUEL and the CI that the closing would be on Friday, 8/27/93, in Atlanta. SAMUEL requested the CI fill out the HB account application a send it by facsimile. The CI sent the completed application on 8/24/93, at approximately 1:34 PM.

47. Between 8/25/93 and 8/27/93, numerous facsimiles were sent by SAMUEL to the CI in an attempt to have the proper paperwork available at the scheduled closing. The documents included a HB letter of credit, a HB board resolution, and a HB guarantee. SAMUEL requested a waiver letter be completed by the CI which was created and sent to SAMUEL. SAMUEL indicated that he would be unable to attend the 8/27/93 closing and a new closing date, 9/10/93, was mutually agreed upon.

48. On 9/10/93, at approximately 9:30 AM, SAMUEL met with the CI in the lobby of the J. W. MARRIOTT, Atlanta, Georgia. At this time, SAMUEL provided a HB \$1,000,000.00 Letter of Credit to the CI. In exchange for the Letter of Credit, the CI provided SAMUEL with \$50,000.00 in cash representing a portion of SAMUEL's fee for this transaction.

49. Based on the foregoing, I have probable cause to believe that ERIC SAMUEL, did commit the offenses specified on the complaint to which this affidavit is attached, including Laundering of Monetary Instruments, in violations of Title 18, United States Code 1956 (a)(3)(B).

2943

Senate Permanent Subcommittee  
On Investigations  
EXHIBIT # 58e

**Exhibit 58e.**

**Koop fraud documents**

2944

8-MAR-99 MON 10:48

P. 2



APPLICATION FOR  
OPENING OF A  
PERSONAL ACCOUNT

I hereby request you to open an account or accounts in my/our name(s) and authorise you:-

- (a) to honour cheques, bills of exchange and promissory notes expressed to be drawn upon or made payable with you whether my/our account or accounts is or are in credit or in debit or overdrawn thereby or otherwise.
- (b) to honour and act upon any instructions received from the account holder by way of *Fax Transmission* for the transfer of funds periodically from my/our account with this Bank to specific payees designated in any such *Fax Transmission* and to debit my/our account with whatever amount may be specified therein and pay same to the account of the particular payees specified therein.
- (c) to honour any orders to withdraw any or all monies on any deposit or other account in my/our name or instructions to deliver or dispose of any securities boxes documents or property whatsoever held by you for my/our account.

provided any such cheques, bills of exchange, promissory notes, orders or instructions are signed as under.

*[Signature]* Date 22 Nov. 97  
(usual signature)

NAME IN FULL: TERENCE STANLEY VICTOR WILGROVE

PRIVATE ADDRESS: 17 STANLEY GARDENS LONDON

W11 2NG

OCCUPATION: ART/ANTIQUE DEALER

TELEPHONE (DAY): 0171-243 0013 (EVENINGS): SAME

NATIONALITY: BRITISH

REFERENCES (1): \_\_\_\_\_

ADDRESS: \_\_\_\_\_

REFERENCES (2): \_\_\_\_\_

ADDRESS: \_\_\_\_\_

*Photocopies of the relevant pages of the applicant's passport should be attached to this application.*



[illegible]

Redacted information  
in Subcommittee Files

Statement of Account  
TSW

Type of Account

US\$ Current/Call

Date	Account Number	Page		
1999	930XYZ	1		
	Description	Debit	Credit	Balance
19-Apr-98	Funds received Fin Sol		✓ 250,000.00	250,000.00
19-Apr-98	Funds received Fin Sol		✓ 69,000.00	319,000.00
19-Apr-98	B/O Harold Layton F/C Int			319,000.00
19-Apr-98	Fin Sol Ltd		✓ 50,000.00	369,000.00
19-Apr-98	Sunfirst Trust Co Ltd		✓ 100,000.00	469,000.00
19-Apr-98	Std Bank Funds Received		✓ 150,000.00	619,000.00
19-Apr-98	Std Bank Funds Received		✓ 1,200,000.00	1,819,000.00
19-Apr-98	B/O O'seas Dev Bank		✓ 20,107.00	1,839,107.00
19-Apr-98	Tri Star Investments Grp		✓ 260,000.00	2,099,107.00
19-Apr-98	B/O ██████████ Trust		✓ 240,000.00	2,339,107.00
19-Apr-98	Int'l Financial Solutions		✓ 100,000.00	2,439,107.00
19-Apr-98	██████████		✓ 41,225.00	2,480,332.00
19-Apr-98	Tri Star Investments Grp		✓ 500,000.00	2,980,332.00
19-Apr-98	H A Simmons	125,000.00		2,855,332.00
19-Apr-98	CHAPS/SWIFT	50.00		2,855,282.00
19-Apr-98	Stow Antiques	80,000.00		2,775,282.00
19-Apr-98	CHAPS/SWIFT	50.00		2,775,232.00
19-Apr-98	B/O Cardinal Resources		✓	2,775,232.00
19-Apr-98	Greenville F/C to Hisway Inc		✓ 77,250.00	2,852,482.00

CARRIED FORWARD

SFO 5/25 2,852,482.00

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Statement of Account

TSW

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Type of Account

US\$ Current/Call

Account Number		Page	
930XYZ		2	
Description	Debit	Credit	Balance
Brought forward			2,852,482.00
██████████ F/C Hisway Inc		✓ 51,525.00 ×	2,904,007.00
Funds Received		✓ 400,000.00	3,304,007.00
██████████	350,000.00		2,954,007.00
CHAPS/SWIFT	50.00		2,953,957.00
Antique Décor Pty Ltd	300,000.00		2,653,957.00
CHAPS/SWIFT	50.00	✓	2,653,907.00
B/O Fulton Bank PA		103,000.00	2,756,907.00
Forex Commission	158.05		2,756,738.95
██████████	17,500.00		2,739,238.95
CHAPS/SWIFT	50.00		2,739,188.95
Valmar Antiques	28,560.00		2,710,628.95
CHAPS/SWIFT	50.00		2,710,578.95
Berry Antiques	25,000.00		2,685,578.95
CHAPS/SWIFT	50.00		2,685,528.95
Cooldaru Pty Ltd	120,000.00		2,565,528.95
CHAPS/SWIFT	50.00		2,565,478.95
SIS-Seehafen und Ind Ser	55,000.00		2,509,478.95
CHAPS/SWIFT	50.00		2,509,428.95
Antique Décor Pty Ltd	250,000.00		2,259,428.95
CHAPS/SWIFT	50.00		2,259,378.95

CARRIED FORWARD

SFO5/ 2,259,378.95  
26

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## Statement of Account

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Type of Account

USS Current/Call

Date		Account Number		Page	
11/11		930XYZ		3	
		Description	Debit	Credit	Balance
11-Apr-98		Brought forward			2,259,378.95
11-Apr-98		Tomlinson Antq Hse	76,500.00		2,182,878.95
11-Apr-98		CHAPS/SWIFT	50.00		2,182,828.95
11-Apr-98		Glenleigh Antqs Pty	44,500.00		2,138,328.95
11-Apr-98		CHAPS/SWIFT	50.00		2,138,278.95
11-Apr-98		Exotica Fine Art Pty	312,500.00		1,825,778.95
11-Apr-98		CHAPS/SWIFT	50.00		1,825,728.95
11-Apr-98		Evolution Prehist Art	250,000.00		1,575,728.95
11-Apr-98		CHAPS/SWIFT	50.00		1,575,678.95
11-Apr-98		Credit //U003911		✓ 100,000.00	1,675,678.95
11-Apr-98		Colcar Décor Ltd	80,000.00		1,595,678.95
11-Apr-98		CHAPS/SWIFT	50.00		1,595,628.95
11-Apr-98		Greenville SC		✓ 10,300.00	1,605,928.95
11-Apr-98		Galerie Pro Art	269,500.00		1,339,428.95
11-Apr-98		CHAPS/SWIFT	50.00		1,339,378.95
11-Apr-98		██████████	40,225.00		1,299,153.95
11-Apr-98		CHAPS/SWIFT	50.00		1,299,103.95
11-Apr-98		B/O BAJA Investments Inc		✓ 74,017.00	1,373,120.95
11-Apr-98		B/O ██████████		✓ 103,025.00	1,476,145.95
11-Apr-98		B/O 0000400909693 York SC29745		✓ 150,000.00	1,626,145.95
11-Apr-98		TS Wingrovs ASSOC 000 385,800.00			1,240,345.95
CARRIED FORWARD					1,240,345.95

SFO 5 / 27

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Statement of Account

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Type of Account

USS Current/Call

Date	Account Number	Page		
1998	930XYZ	4		
	Description	Debit	Credit	Balance
May-98	Brought forward			1,240,345.95
May-98	FOREX	167.50		1,240,178.45
May-98	CHAPS/SWIFT	50.00		1,240,128.45
May-98	██████████	125,000.00		1,115,128.45
May-98	CHAPS/SWIFT	50.00		1,115,078.45
May-98	ARTX Ltd £100,000	163,750.00		951,328.45
May-98	CHAPS/SWIFT	50.00		951,278.45
May-98	FOREX	183.75		951,094.70
May-98	██████████ AS\$550,000	350,900.00		600,194.70
May-98	FOREX	183.75		600,010.95
May-98	CHAPS/SWIFT	50.00		599,960.95
May-98	Great Aus Ant AS14,040	8,957.52		591,003.43
May-98	FOREX	38.53		590,964.90
May-98	CHAPS/SWIFT	50.00		590,914.90
May-98	██████████ AS400,000	255,200.00		335,714.90
May-98	FOREX	183.75		335,531.15
May-98	CHAPS/SWIFT	50.00		335,481.15
May-98	Donald Allison Ant £50,00	81,878.00		253,603.15
May-98	FOREX	183.75		253,422.40
May-98	CHAPS/SWIFT	50.00		253,372.40
	CARRIED FORWARD			253,372.40

SFO 5/28

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Statement of Account

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Type of Account

US\$ Current/Call

Date	Account Number			Page
1998	930XYZ			5
	Description	Debit	Credit	Balance
14-May-98	Brought forward			253,372
14-May-98	Charlton Hse Ant £50,000	81,875.00		171,497
14-May-98	FOREX	183.75		171,313
14-May-98	CHAPS/SWIFT	50.00		171,263
14-May-98	Kirkwoods Sofrs £50,000	81,875.00		89,388
14-May-98	Valmar Ant £19,857.5	32,518.88		56,869
14-May-98	FOREX	183.75		56,686
14-May-98	CHAPS/SWIFT	50.00		56,636
14-May-98	T&M Good Limits AS47,20	30,113.80		26,522
14-May-98	FOREX	193.75		26,339
14-May-98	CHAPS/SWIFT	50.00		26,288
14-May-98	Profillo Antiques AS20,000	12,780.00		13,508
14-May-98	FOREX	183.75		13,324
14-May-98	CHAPS/SWIFT	50.00		13,274
14-May-98	██████████ AS550,000	350,900.00		337,825.25
14-May-98	FOREX	193.75		337,809.02
14-May-98	CHAPS/SWIFT	50.00		337,859.02
14-May-98	TS Wingrove AS750,000	478,500.00		816,359.02
14-May-98	Helu-Trans Ltd S\$25,000	15,413.07		831,772.10
14-May-98	FOREX	183.75		831,855.85
14-May-98	CHAPS/SWIFT	50.00		832,005.85
	CARRIED FORWARD			832,005.85

SFO 5 / 29

2951

Statement of Account

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Type of Account

USS Current/Call

Date	Account Number	Page		
1998	930XYZ	6		
	Description	Debit	Credit	Balance
14-May-98	Brought forward			832,005.85 DR
15-May-98	Funds Received		✓ 10,300.00 x	821,705.85 DR
15-May-98	Funds Received		10,325.00 x	811,380.85 DR
18-May-98	Funds Received		50,000.00 x	761,380.85 DR
20-May-98	Funds Received		✓ 50,000.00 x	711,380.85 DR
21-May-98	Funds Received		✓ 55,850.00 x 65.00 ?	654,530.85 DR
14-May-98	Funds Received		✓ 1,500.00 x	653,030.85 DR
	CARRIED FORWARD			653,030.85 C

SFO 5/30

2952

Redacted information  
in Subcommittee Files

103  
6/26/98  
Gurren

HANOVER BANK, LIMITED  
BANK ACCOUNT NUMBERS WITH IFS

<u>NAME</u>	<u>ACCOUNT #</u>
INTERNATIONAL FINANCIAL SOLUTIONS, LTD.	#A01-001-001
WILLIAM H. KOOP	#A01-001-002
INFO-SEEK, LIMITED	#A01-001-003
	#A01-001-004
	#A01-001-005
	#A01-001-006
	#A01-001-007
	#A01-001-008
	#A01-001-009
GERMAINE FINANCIAL SERVICES [REDACTED]	#A01-001-010
L.W.B. ENTERPRISES [REDACTED]	#A01-001-011
	#A01-001-012
	#A01-001-013
	#A01-001-014
EAGLE-NET [REDACTED]	#A01-001-015
[REDACTED]	#A01-001-016
GLEN CRUZEN	#A01-001-017

05/1/98



CHREMA INTERNATIONAL SOLUTIONS

[REDACTED]

[REDACTED]

[REDACTED]

EASTERN DATA & DEV. GROUP

[REDACTED]

MONTE VERDI [REDACTED]

GREENFIELD FIN. SERVICE [REDACTED]

KOKOTU [REDACTED]

[REDACTED]

[REDACTED]

GLOBAL FIN STRATEGIES [REDACTED]

#A01-001-018

#A01-001-019

#A01-001-020

#A01-001-021

#A01-001-022

#A01-001-023

#A01-001-024

#A01-001-025

#A01-001-026

#A01-001-027

#A01-001-028

#A01-001-029

#A01-001-030

#A01-001-031

#A01-001-032

#A01-001-033

#A01-001-034

#A01-001-035

#A01-001-036

#A01-001-037

#A01-001-037

#A01-001-038

	#A01-001-039
	#A01-001-040
KING FIN SERVICES [REDACTED]	#A01-001-041
THREE CROWNS	#A01-001-042
	#A01-001-043
	#A01-001-044
	#A01-001-045
	#A01-001-046
DIAMOND DOLPHINS [REDACTED]	#A01-001-047
[REDACTED]	#A01-001-048
[REDACTED]	#A01-001-049
VALLEO TRUST [REDACTED]	#A01-001-050
	#A01-001-051
	#A01-001-052
	#A01-001-053
	#A01-001-054
STARSHIP [REDACTED]	#A01-001-055
SAFAREE INTERNATIONAL [REDACTED]	#A01-001-056
ETERNAL FINANCIAL SERVICES [REDACTED]	#A01-001-057
[REDACTED]	#A01-001-058
RHOMBUS FISCAL SERVICES [REDACTED]	#A01-001-059

TEXOCA [REDACTED]

#A01-001-060

HEP-MARK [REDACTED]

#A01-001-061

DOINIT-RITE [REDACTED]

#A01-001-062

#A01-001-063

#A01-001-064

#A01-001-065

WHITE GRANITE TRUST [REDACTED]

#A01-001-066

#A01-001-067

#A01-001-068

#A01-001-069

ST. LARACE [REDACTED]

#A01-001-070

#A01-001-071

#A01-001-072

#A01-001-073

#A01-001-074

#A01-001-075

SNOWY RIVER [REDACTED]

#A01-001-076

#A01-001-077

#A01-001-078

#A01-001-079

INTEGRITY SERVICES [REDACTED]

#A01-001-080

#A01-001-081

REV/40

[REDACTED]	#A01-001-082
QUANTUM INTERNATIONAL [REDACTED]	#A01-001-083
[REDACTED]	#A01-001-084
SELOUS TRUST [REDACTED]	#A01-001-085
MAHONEY TRUST [REDACTED]	#A01-001-086
[REDACTED]	#A01-001-087
SUWANEE FINANCIAL SERVICES [REDACTED]	#A01-001-088
THREE LITTLE DARLINGS [REDACTED]	#A01-001-089
	#A01-001-090
	#A01-001-091
	#A01-001-092
	#A01-001-093
	#A01-001-094
	#A01-001-095
	#A01-001-096
SANTANA MANAGEMENT GROUP [REDACTED]	#A01-001-097
BOBBIE REYNOLDS [REDACTED]	#A01-001-098
	#A01-001-099
	#A01-002-001
	#A01-002-002
K-TEAM	#A01-002-003
MORIERA	#A01-002-004

EAGLE ENTERPRISES [REDACTED]	#A01-002-005
[REDACTED]	#A01-002-006
MUTUAL CARTEL [REDACTED]	#A01-002-007
HIM TRUST (CABE)	#A01-002-008
[REDACTED]	#A01-002-009
LAKES AREA FINANCIAL [REDACTED]	#A01-002-010
HIS GRACE FINANCIAL (CABE)	#A01-002-011
PSALM 139 [REDACTED]	#A01-002-012
[REDACTED]	#A01-002-013
[REDACTED]	#A01-002-014
[REDACTED]	#A01-002-015
ROCKFISCH VALLEY CONSULTING [REDACTED]	#A01-002-016
[REDACTED]	#A01-002-017
LAKEHILLS FINANCIAL STRATEGIES [REDACTED]	#A01-002-018
[REDACTED]	#A01-002-019
ALDEN FINANCIAL SERVICES [REDACTED]	#A01-002-020
HARVEST TRUST [REDACTED]	#A01-002-021
	#A01-002-022
	#A01-002-023
	#A01-002-024
	#A01-002-025
	#A01-002-026

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GOLDEN RULE [REDACTED]	#A01-002-027
RICHARD OLITT	#A01-002-028
	#A01-002-029
	#A01-002-030
	#A01-002-031
	#A01-002-032
MARILYN A. KOOP	#A01-002-033
[REDACTED]	#A01-002-034
[REDACTED]	#A01-002-035
EDUCO TRUST [REDACTED]	#A01-002-036
[REDACTED]	#A01-002-037
[REDACTED]	#A01-002-038
THE AUSTRIAN CONNECTION	#A01-002-039
CONSOLIDATED SEVEN ROCKS MINING LTD.	#A01-003-423
9034-5042 QUEBEC, INC.	#A01-003-124
MINQUEST, B.V.	#A01-003-228
PROGRESSIVE, N.V.	#A01-003-426
SEVEN ROCKS MINING INTERNATIONAL	#A01-003-327
HANOVER "B" LIMITED	#A01-007-007
	#A01-002-045
	#A01-002-046

201/446

[REDACTED]	#A01-002-047
KARA TRUST [REDACTED]	#A01-002-048
[REDACTED]	#A01-002-050
MANNA-HAD [REDACTED]	#A01-002-051
MELIBOCUS HOLDING, INC.	#A01-002-052
[REDACTED]	#A01-002-053
SUN INVESTMENT, S.A. [REDACTED]	#A01-002-054
	#A01-002-055
	#A01-002-056
	#A01-002-057

BE1/451

2960



FAX TO: W. 25154 (Ref: Terry) FROM: M.A. Fitzpatrick  
FAX NO: 0171-541-0170 DATE: 16 April 98 PHONE/FAX: (+353) 1 2857270  
PAGES: 1

Wire transfer instructions, as requested:

Standard Bank Jersey Ltd  
P.O. Box 583, One Waverly Place, St. Helier, Jersey

SWIFT: SBICJESH

Sort code: 40-52-33

A/c The Hanover Bank Limited, no: 5611602

From the USA:

Harris Bank, N.Y. CHIPS 196313

for A/c Standard Bank Jersey A/c no. 16026675

for further credit A/c 5611602 To Hanover Bank

REF: 0001-100-679-

- FOR LOWRIDGE INVESTMENTS LTD -  
i

Mon,

not

NO. 7994 P. 15

FINERS AND FLOORS

29 JUL 1998 8:55

3



2961

3

0171 344 5602

29-JUL-98 WED 8:28

PAGE 2 OF 3

TT payments  
x2

USD 125,000.00

USD 80,000.00

V 20/4/98

The  
Hanover  
Bank

TO: Ms Lorraine Clade  
Standard Bank Tesco  
FAX NO: DATE: 16 April 98

FROM: M.A. Fitzpatrick  
PHONE/FAX: (+353) 1 2567270  
PAGES: 2

Lorraine, 010  
Le Te Hanover Bank Ltd. tlc 5611602

POSITIONED

From funds held in this account, would you  
please wire transfer today the sums of  
\$125,000 and \$80,000 as detailed on  
the attached sheet.

Regards,

PTC  
for  
Detail

M.A. Fitzpatrick  
Man. Director

WASKE  
WASSO Richard O'Neil Poulson  
Chairman 14:06 16-APR-1998

①  
Int'l - J

DEBIT	4211602	DECL	USD	2002
CREDIT	5401193	FINC	USD	2001
AMOUNT	125,000.00	DATE	20/4/98	
REFERENCE	52			
AMOUNT	4213967.00			
DATE	16/4/98			
AUTHORIZED	ETC			
				940500002

NO 7998 P. 3/34

FINERS 3RD FLOOR

164  
29 JUL 1998 9:41

29-JUL-98 WED 8:29 0171 344 5602  
Date: 4/18/98 Time: 8:05 AM  
Page 3 of 4  
From: MARSHALL, Uliel Menden To: LAMARCA, Clark

Further to our phone conversation, I write to confirm the following:

1. LLOYDS BANK, Vicer Lane Berrah, Leeds, UK

2. LLOYDS BANK, 4 Castle Street, Christchurch, Dorset, UK

Thank you again in advance for your help.

**Sincerely,**

PS: I have just had confirmed that another US\$5 million will be transferred from the State to the account tomorrow.

5411602 DEBIT USD CNY  
5461198 BANK USD CNY  
2010000 2014/9/8  
+213000.00  
DATE 16/4/98 CREDIT BALANCE + TU \$ 50  
AUTHORIZED APPROVED  
ETC

168

NO. 7998 P. 4/34

FINERS 3RD FLOOR

729 JUL 1998 9:42

2963

8 2  
FROM: NEW YORK TO: LORRAINE WARD

2095 445 1210  
DATE: 4/17/98 Time: 10:28:06 AM

05:8 03M 86-101-52



FAK TO: Ms Lorraine Clark FROM: M.A. Fitzpatrick  
Standard Bank Jersey PHONE/FAX: (+353) 1 2867270  
FAK NO: \_\_\_\_\_ DATE: 17 April 98 PAGES: 2

Lorraine,

Re: The Hanover Bank Ltd, A/C no 5611602

From funds held in this account would

you please send two wire-transfers

today, one for \$350,000, the other for

\$300,000, in accordance with the

attached instructions.

Regards,

M.A. Fitzpatrick  
Managing Director

Richard O'Neil Poulson  
Chairman

172

6

NO. 7998 P. 8/34

FINERS 3RD FLOOR

29 JUL 1998 9:43

2964

6 4

2095 333 1210

08:18 03M WED-101-62

Page 2 of

x 2  
T/T Bmt  
V.D 214.98

17<sup>th</sup> April 1998

Dear Tony

Further to our phone conversation, I want to confirm the following:

Please transfer immediately by EXPRESS SWIFT today the following amounts:

1. ANZ BANK 388 Collins Street, Melbourne, Victoria, Australia

Bank code: 013006  
Account name: [REDACTED]  
Account no.: 777010531  
Amount: US\$350,000 (Three Hundred Fifty Thousand)

\$350,000

2. NATIONAL AUSTRALIA BANK 271 Collins Street, Melbourne, Victoria, Australia

Account name: ANTIQUE DECOR PTY LTD.  
Account no.: 083 522 02974 3131  
Amount: US\$300,000 (Three Hundred Thousand)

\$300,000

I have confirmed during the night that a further US\$2 million was transferred.

Sincerely,

PS: See you Monday at 8.15 a.m. Standed.

BIT 5611602 DECL USD C002  
ET 5461198 BANK USD C001  
AMOUNT 350,000-00  
COURT ELIGIBLE  
CANCELLED 4213,907-00  
CHARGED BY  
TE 17.4.98  
THROGSD

DEBIT 5611602 DECL USD C002  
CREDIT 5461198 BANK USD C001  
AMOUNT 300,000-00  
COURT ELIGIBLE  
CANCELLED 4213,907-00  
CHARGED BY  
TE 17.4.98  
THROGSD

POSITIONED

NO 2998 P. 9/34

29 JUL 1998 9:43  
FINERS 3RD FLOOR

2965

From: Richard O'Dell Poulson To: Lorraine Clarke

2095 111 1710

65:8 03W 86-101-92

Date: 4/20/98 Time: 10:06:10 PM

Page: 1



OC 3531286  
7270

FAX TO: My Lorraine Clark FROM: M.A. Fitzpatrick  
Standard Bank Trading PHONE/FAX: (435) 1 2857270  
FAX NO: \_\_\_\_\_ DATE: 20-4-98 PAGES: 1

Lorraine,

Re: The Hanover Bank Ltd. A/c No. 5611602

From funds held in this account would you  
please make the following (see attached two-page  
list) wire transfers today.

Regards,

M.A. FITZPATRICK  
Managing Director

RICHARD O'DELL POULSEN  
Chairman

87449186

2966

21-APR-98

TUE 12:38

2095 55E 12.10

28:8 08W 86-T01-92

P. 2

20\* April 1998

Dear Tony

Further to our phone conversation, I write to confirm the following:

Please transfer immediately by EXPRESS SWIFT the following amounts:

1. WESTPAC BANK Mona Vale Branch, Sydney Australia

Account name: [REDACTED]  
Account No: 032-196131070  
Amount: US\$17,500 (United States Dollars Seventeen Thousand Five Hundred)

2. BARCLAYS BANK 12 Cambridge Road, Searoad, Essex UK

Bank code: 20-36-91  
Account name: VALMAR ANTIQUES  
Account no: 40903414  
Amount: US\$28,560 (United States Dollars Twenty Eight Thousand Five Hundred Sixty)

3. NATWEST BANK Tewkesbury Branch, P.O.Box 9, Cheltenham, Glouce. UK

Bank code: 60-05-16  
Account name: BERRY ANTIQUES  
Account no: 43501214-02  
Amount: US\$25,000 (United States Dollars Twenty Five Thousand)

4. NATIONAL AUSTRALIA BANK Parramatta Branch, Sydney, Australia

Account name: COOLDARU PTY LTD.  
Account no: 08241564600 2240  
Amount: US\$120,000 (United States Dollars One Hundred Twenty Thousand)

5. SPARKASSE BREMEN Bremen, Germany

Bank code: 29050101  
Account name: SIS - NEHAFFEN UND INDUSTRIE SERVICE GmbH  
Account no: 1072164  
Amount: US\$56,000 (United States Dollars Fifty Six Thousand)

Redacted information  
in Subcommittee Files

(HAWES)

(HAWES)

(HAWES)

(HAWES)

(HAWES)

04305-11047  
POSITIONED

04306-10.48  
04307-10.48

04308-10.49  
04309-10.50

04310-10.51  
14:08 22-APR-1998

04311-10.52

21-APR-98 TUE 7:56

03

2.1

NO 7998 P. 13/34

FIMERS 3RD FLOOR

29 JUL 1998 9:45

19/11

6. NATIONAL AUSTRALIA BANK 271 Collins Street, Melbourne, Australia

Account name: ANTIQUE DECOR PTY LTD. CU  
Account no.: 004 790658  
Amount: US\$250,000 (United States Dollars Two Hundred  
Fifty Thousand)

7. OVERSEAS CHINESE BANKING CORP. (O.C.B.C.)  
Head Office: 65 Chulia Street, Singapore

Account name: TOMLINSON ANTIQUE HOUSE  
Account no.: 501200539001  
Amount: US\$76,500 (United States Dollars Seventy Six Thousand Five Hundred)

8. NATIONAL AUSTRALIA BANK 271 Collins Street, Melbourne, Australia.

Bank code: 083522  
Account name: GLENLEIGH ANTIQUES PTY LTD. No.2 Account  
Account no.: 451689695  
Amount: US\$44,500 (United States Dollars Forty Four  
Thousand Five Hundred)

Regards,

11 561602 TEL CSP 0002  
 12 561198 BAK CSP 0001  
 13 76.500 W 24.493  
 14 000  
 15 4.293.657.00  
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DEBIT 56111602 DECL USDCAC2  
CREDIT 54611980 ANKUS2000  
AMT 44,500  
DATE 12/24/99  
SPONTANEOUS ORIGIN  
491 RATE  
12.4298 657.00  
224  
AUTHORISED  
199500002  
SILVER

21-APR-98 TUE 7:57

63

NO. 7998 P. 15/34

193

12

29. JUL. 1998; 9:46; —FINERS 3RD FLOOR—

2968

21-APR-98 TUE 12:38  
FROM: RICHARD O'BELL FORDEN TO: MAF

2095 344 1110  
DATE: 4/21/98 TIME: 12:38 PM

29-JUL-98 WED 8:31  
P. 1



TO: Lorraine Clark  
FROM: M.A. FORDEN  
PHONE/FAX: (603) 1-667-726  
FAX NO: DATE: 2/14/98 PAGES: 2

Lorraine,

Re: The Hanover Bank Ltd, 5611602

From funds held in this account would  
you please wire transfer the amounts  
listed on the attached two pages.

Regards,

M. A. FORDEN  
Managing Director

Richard O'bell Forden  
Chairman

Page 1 of 4

21-APR-98 TUE 10:24

63

P. 2

181

NO. 7998 P. 12/34

FINERS 3RD FLOOR

29 JUL 1998 9:44



2969

81.4 0171 344 5602 2969 444 1710 2969 444 1710 2969 444 1710  
To: WINSTON At: 011441715910170 00000001234; Jun-18-98 4:05PM; Page 1/1

## FAX TRANSMISSION

HISWAY INTERNATIONAL MINISTRIES, TRUST  
1000 BRANCH RD  
YORBA LINDA, CA 92694  
803-828-0100  
Fax: 803-828-8020

To: T.S. Wingrove Date: June 16, 1998  
Fax #: 011-44-171-727-8009 Pages: 1, including this cover sheet.  
From: DR. JOHN W. CABE  
Subject: 14 day 100% deal

### COMMENTS:

Dear Terry:

As of 3:30 pm EST, I have been able to confirm the availability to wire transfer tomorrow to you \$200,000.00 USD from our US account. Had we just a wee bit more time, I feel certain that we could have got much more.

Also in our Hanover account # A01-002-008 we have \$10,000 available to use. Winston is the signatory on that account.

In my Hanover account \$A01-002-011 I had a balance of \$3,865.00 as of June 14. We should have received three wires for \$10,325.00 each on 6/15 or 6/16. This makes our available credit of \$34840.00. Please withdraw \$30,000 from this account and put it with the \$10,000 from account 008 and the \$200,000.00 we can wire bringing our total to you of \$240,000.00.

While I was typing this fax, I got a call that said they might be able to get some funds to us. If something changes I will contact you. Right now count on the above.

Thank you for allowing us this project. As I understand the terms are funds in tomorrow 6-17-98, then no later than 6-24-98 we will receive our original money back plus 50% profit and then no later than 7-1-98 we will receive the remaining 50% profit. If these are the terms I am prepared to move forward as discussed above.



NO. 2994 P. 18

FINERS 3RD FLOOR

29 JUL 1998 8:57

2970

sent By: HP LaserJet 3100;  
To: WINSTON

At: 011441715910170

00000001234;

Jun-17-98 9:58AM;

Page 1/1

## FAX TRANSMISSION

HISWAY INTERNATIONAL MINISTRIES, TRUST

1080 BRANCH RD  
YORK SC. 29745  
803-628-0109  
Fax: 803-628-6020

To: Winston Allen Date: June 16, 1998  
Fax #: 011-44-171-591-0170 Pages: 1, including this cover sheet.  
From: DR. JOHN W. CABE  
Subject: Demetrio Leone

### COMMENTS:

Redacted information  
in Subcommittee Files

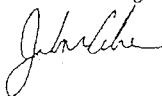
Dear Winston and Terry:

**PLEASE BACK OFF OF DEMETRIO!** At this point I am not convinced that we have been defrauded. In fact, he has been cordial enough to keep me informed all along the way. Although some of the excuses seem to be far-fetched, I somehow want to believe he is honorable.

I realize what you need and are attempting to do. However, more harm than good could come if you continue in your present course of action. He has provided me with home address and home numbers as well as a copy of his passport. He works as a professor with the University of Switzerland and I have documentation as to his affiliation with the World Health Organization. Please remember that this was a special test trade I did on my first trip to London, prior to meeting Terry or Bill. If this one works it will be great. He is also only 2 weeks delayed in payout and there may have been a question as to accurate dates. **AGAIN LEAVE HIM ALONE UNTIL I GIVE FURTHER NOTICE!** But thanks for trying to help. If I don't get paid soon, we'll call in the strong arms of Winston and Terry--the dynamic duo!

Additionally, I am expecting this and all my conversations with you about Hisway and our business transactions to be in the strictest of confidence. It goes without saying that No details should be released to anyone including [REDACTED] or any other clients or associates. I will give you the same professional treatment concerning our dealings as well.

I will be wiring by noon my time \$200,000.00 to help you with your project. The terms that I faxed to Terry are all principle returned no later than next Wed the 24th along with 50% profit and the remaining 50% profit in our account no later than Wed. July 1, 1998. As long as these terms are still agreeable, we are willing to proceed.



P.S. ADD the \$10,000 From HISWAY  
Account For A TOTAL \$210,000.00

4

2971

23 JUL 98  
FROM

0171 344 5602

29 JUL 98 WED 7:46

PHONE NO. :

Jun. 17 1998 07:00:00

PRIVATE AND CONFIDENTIAL  
FAX TRANSMISSION FROM THE DESK OF:

William H. Koop

TO: MIKE WINGROVE  
WILSTON ALLEN FROM: BILL KOOP  
COMPANY: \_\_\_\_\_ DATE: \_\_\_\_\_  
FAX NUMBER: 011-44-171-591-017 TOTAL PAGES INC. COVER: (2)  
PHONE NUMBER: \_\_\_\_\_ CC: \_\_\_\_\_  
✓ RE: DOCUMENTS REQUESTED YOUR REF. # \_\_\_\_\_  
URGENT FOR REVIEW COMMENTS PLEASE REPLY RECYCLE  
NOTES / COMMENTS:

Gentlemen,

Information needed from and  
about The Hanover Bank, Ltd.

Thank You  
Bill

INTERNATIONAL FINANCIAL SOLUTIONS, LTD.

17 STANLEY GARDENS,  
LONDON, ENGLAND  
UNITED KINGDOM

799 FRANKLIN AVENUE, SUITE 500  
FRANKLIN LAKES, NEW JERSEY 07417  
UNITED STATES OF AMERICA  
PHONE: (201) 847-9764-65 FAX: (201) 847-9287

CHAMBERS GOMEZ BLDG  
HIGH STREET,  
ST. JOHNS, ANTIGUA

23 JUL 98  
NO. 7994

FINERS 3RD FLOOR

29 JUL 1998 8:59

92 P

2095 44E 1210

29-JUL-98 WED 7:46

FROM : "

PHONE NO. :

Jun. 17 1998 03:38AM P

Questions and needs by Gice & Co.  
as refers to Hanover Bank.

- 1.) Banking Instructions - Re: Debit & Credit
- \* 2.) Credit and/or Debit Cards x
  - A.) Applications
  - B.) Rules & Regulations
- 3.) Phone & Fax numbers
- 4.) Bank Statements
- 5.) Verification of Accounts by account holder
- 6.) Mailing Address
- 7.) Account Manager
- 8.) Bank Receipts
- 9.) Bank Letterheads
- 10.) Stock Position (WAT)
- 11.) Interest Rates
- 12.) WAT Credit and/or Debit Card

2973

70 6  
FROM :

2095 446 1210  
PHONE NO. :

29 JUL 1998 09:00

JUN 17 1998 10:00AM

PRIVATE AND CONFIDENTIAL  
FAX TRANSMISSION FROM THE DESK OF:  
William H. Koop

MIKE WINGROVE  
TO: 96 WINSTON ALLEN FROM: BILL KOOP  
COMPANY: DATE: 6/17/98  
FAX NUMBER: 011-44-171-591-0170 TOTAL PAGES INC. COVER: 9  
PHONE NUMBER: CC:  
RE: DOCUMENTS REQUESTED YOUR REF. #  
URGENT FOR REVIEW COMMENTS PLEASE REPLY RECYCLE

NOTES/COMMENTS:

Dear Winston,

Attached are additional Wire Transfers  
mentioned to Mike in my last Fax  
update. Please include them in  
the outgoing Wire Transfers on Thurs 6/18/98.

Thank You & Regards,

Please don't forget to send  
me pkg on Hannover Bank!

Bice

INTERNATIONAL FINANCIAL SOLUTIONS, LTD.

17 STANLEY GARDENS,  
LONDON, ENGLAND  
UNITED KINGDOM

799 FRANKLIN AVENUE, SUITE 500  
FRANKLIN LAKES, NEW JERSEY 07417  
UNITED STATES OF AMERICA  
PHONE: (201) 847-6764-85 FAX: (201) 847-9287

CHAMBERS GOMEZ BLDG  
HIGH STREET,  
ST. JOHN'S, ANTIGUA

NO. 7994 P. 25

FINES 3RD FLOOR

29 JUL 1998 09:00

13

2974

FROM :

2095 MAY 12 10

29 JUL 1998 9:00

PHONE NO. :

JUN 17 1998 18:05

Please add the following wire transfers

#1A - Gruen 4 wires 393,051.48

- |              |            |
|--------------|------------|
| 1.) To CPA   | 99,051.48  |
| 2.) AS SHOWN | 185,000.00 |
| 3.) AS SHOWN | 9,000.00   |
| 4.) AS SHOWN | 100,000.00 |

A - INTERNATIONAL FINANCIAL SOLUTIONS  
(WILLIAM H. KOOP)  
To CPA 600,000.00  
(FOR PRIME PLAN)

14

NO. 7954 P. 26

FINERS 3RD FLOOR

29 JUL 1998 9:00

2975

12.7  
FROM :

2095 PVE 1210

07:2 03M 05-701-52

PHONE NO. :

Jun. 17 1998 10:05:21 P.

OUTGOING  
WIRE TRANSFER INSTRUCTIONS

TO: HANOVER BANK, LIMITED

DATE: 6/17/98 SIGNATURE *[Signature]*

PLEASE WIRE TRANSFER FUNDS IN THE AMOUNT OF

\$ 393,051.48 (USD) FROM INTERNATIONAL

FINANCIAL SOLUTIONS, S.A., ACCOUNT #A01-001-001

DEPOSIT FUNDS TO: \_\_\_\_\_

(SEE ATTACHED INSTRUCTIONS  
FOR FOUR WIRE TRANSFERS) ATTACHED  
FOR CREDIT TO: (GLEN CRUZEN)

FOR FURTHER CREDIT TO: \_\_\_\_\_

FOR FURTHER CREDIT TO: \_\_\_\_\_

NO. 7994 P. 27

FINERS 380 21008

29 JUL 1998 9:01

15

2976

82 'd 2095 443 1210 84:2 03M 86-101-62  
FROM : Jun-09-98 01:10P PHONE NO. : Jun. 17 1998 10:06AM P.  
P. 05

**EFFORTLESS PROSPERITY**

21 Green Cedar Rd. • Boerne, TX 78006 (830)537-4045 • (FAX) 537-4681

FAX COVER SHEET

TO: BILL KOOP (IFS) FAX #: 201-847-9287  
FROM: Glen Cruzen- PAGES: 1  
EFFORTLESS PROSPERITY  
RE: WIRE TRANSFER TO CPA SERVICES 6/11/98

COMMENTS: Please WIRE TRANSFER 99,051.48 (NINETY NINE THOUSAND, FIFTY ONE DOLLARS AND 48/100 CENTS) from my account #A01-001-017 to my account with CPA Services according to the following instructions. Please fax me a copy of proof of this wire and debit from my account.

Thanks,

*Glen Cruzen*  
Glen Cruzen

WIRE TRANSFER INFORMATION

CPA SERVICES 503-668-6614 (FAX)  
PO BOX 596  
BORING, OREGON 97009  
AVC# 28861-15040

BENEFICIARY NAME & ADDRESS:  
CPA SERVICES  
PO BOX 596 (33838 SE KELSO ROAD #1)  
BORING, OREGON 97009

BENEFICIARY ACCOUNT #:  
28861 15040

BANK NAME & ADDRESS:  
BANK OF AMERICA  
200 E. POWELL BLVD.  
GRESHAM, OREGON 97030

PHONE OF BANK (Optional) 503-661-4784

AMERICAN BANKING ASSOCIATION ROUTING NUMBER: 323070380

AMOUNT: \$ 99,051.48 (NINETY NINE THOUSAND, FIFTY ONE DOLLARS AND 48/100 CENTS)

For Further Credit to: Glen Cruzen  
Acct. # AAX 598965

82 'd 7994 OK

FINERS JPD F1008

29 JUL 1998 9:01

16



2977

62'd  
FROM :

Jun-09-98 01:00P

2095 VIE 1210

PHONE NO. :

85:7 03M 86-101-62

Jun. 17 1998 10:06AM F

**EFFORTLESS PROSPERITY**

21 Green Cedar Rd. • Boerne, TX 78006 (830)537-4045 • (FAX) 537-4681

FAX COVER SHEET

#2

TO: BILL KOOP

FAX #: 201-847-9287

FROM: GLEN CRUZEN  
EFFORTLESS PROSPERITY

PAGES: 1

RE: WIRE TRANSFER

DATE: 6/1/98

COMMENTS: Dear Bill,

Please WIRE TRANSFER \$185,000 (One Hundred Eighty Five Thousand Dollars and No Cents) from my account #A01-001-017 to my account according to the following instructions. Please fax me a copy of proof of this wire and debit from my account.

WIRE TRANSFER INFORMATION

Coordinates: CHASE MANHATTAN BANK, NEW YORK, NY

Swift Code: C H A S U S 3 3

ABA #: 021000021

For Credit to Acct #: 469500197865

In the Name of SunFirst Trust Co. Ltd. FFC #: 335 00 154  
Effortless Prosperity Trust

Thank you,

*Glen Cruzen*  
Glen Cruzen

NO. 7994 P. 29

FINERS 3RD FLOOR

29 JUL 1998 9:01

17

2978

06 d 2095 446 1210 64:7 03W 86-101-62  
FROM : Jun-09-98 01:10p PHONE NO. : Jun, 17 1998 18:07pm P6  
P.03

**EFFORTLESS PROSPERITY**  
21 Green Cedar Rd. • Boerne, TX 78006 (830)537-4045 • (FAX) 537-4681

FAX COVER SHEET

TO: BILL KOOP FAX #: 201-847-9287  
FROM: GLEN CRUZEN PAGES: 1  
EFFORTLESS PROSPERITY  
RE: WIRE TRANSFER DATE: 6/1/98

#3

COMMENTS: Dear Bill,  
Please WIRE TRANSFER \$9,000 (Nine Thousand Dollars and No Cents) from my account  
#A01-001-017 to my account according to the following instructions. Please fax me a copy of proof of  
this wire and debit from my account.

WIRE TRANSFER INFORMATION

Coordinates: HARRIS BANK INTERNATIONAL  
NY, NY  
ABA # 026 007 760  
Swift Code: HATRUS33  
For Credit To: LLOYDS TBS BANK  
ISLE OF MAN BRANCH  
For Further Credit To: Mr. & Mrs. G. Cruzen  
Acct. # 37347000 Dollar Club Account

Thank you,

*Glen Cruzen*  
Glen Cruzen

NO. 7994 P. 30

FINERS 3RD FLOOR

29 JUL 1998 9:02

2979

13 7

2095 546 1210

67-2 03W 86-TMF-62

FROM :

Jun-09-98 01:10P

PHONE NO. :

Jun. 17 1998 10:07AM

**EFFORTLESS PROSPERITY**

21 Green Cedar Rd. • Boerne, TX 78006 (830)537-4045 • (FAX) 537-4681

**COVER SHEET**

TO: HANOVER BANK LTD.

FAX #: 201 848 9614

#4

FROM: Glen Cruzon- ACCT. # A01-001-017 PAGES: 1 + I.D. SHEET

RE: WIRE TRANSFER FROM MY ACCOUNT DATE:

COMMENTS: PLEASE TRANSFER ONE HUNDRED THOUSAND DOLLARS \$100,000.00 FROM MY HANOVER BANK ACCT. # A01-001-017 TO THE FOLLOWING COORDINATES:

P.S. PLEASE FAX ME A CONFIRMATION OF THIS WIRE TRANSMITTAL.

THANKS,

*Glen Cruzon*

**Wire Transfer Coordinates**

to Swampy's Enterprises  
SunFirst Accounts

\*\*\*

Actual coordinates to give to your bank:

Coordinates:	Chase Manhattan Bank, New York, NY
Swift Code:	CHASUS33
ABAN:	021000021
For credit to account #:	469500197865
In the name of:	SUNFIRST TRUST CO. LTD.
	FEC# 33500012

Please call the North American Information Officer for SunFirst Trust Co. Ltd. And SunFirst Bank & Trust Corp. Christopher Kizana, at 757-412-0537 if you have any questions. Thank you.

NO. 7994 P. 31

FINERS 3RD FLOOR

29 JUL 1998 9:02

19

2980

1278 2095 443 1210 5472 03W 86-701-62  
Sent By: HP LaserJet 3100; 00000001234;  
To: WINSTON At: 011441715910170 Jun-18-98 11:03AM; Page 1/1

Please transfer funds to:

Wells Fargo Bank  
1560 Van Ness Avenue Branch  
San Francisco, CA 94109

Branch No.: AU0307  
Routing No.: 121-000-248

Account No.: 0442-637435  
For the account of S. Bernstein & Co.

Reference - WSWay. Project  
Wingline

X  
10k sent 11/11/98  
6/18/98 #006739  
From 1st Union Nat. Bank

W. McD #200,000.00

6/17/98

Wine #008099

At 11:45 A.M. (est)

JAMES THOMPSON - W. McD  
AGG.

From 1st Union Nat. Bank

WINSTON

ADD \$70,000 From HANOVER

Acct A01-002-011 \$220,000

TOTAL IN \$290,000

Working on more!

John White

850-

2981

61 3 2095 44E 1210 44:2 03M 86-707-22  
Sent By: HP LaserJet 3100; 00000001234; Jul-2-98 11:05AM; Page 1/1  
To: WINSTON At: 011441715910170

## FAX TRANSMISSION

HISWAY INTERNATIONAL MINISTRIES, TRUST  
1000 BRANCH RD  
YORK SC, 29745  
803-628-0100  
FAX: 803-628-0020

To: T.S. Wingrove Date: July 1, 1998  
Fax #: 011-44-171-727-8009 Pages: 1, including this cover sheet.  
From: DR. JOHN W. CABE  
Subject: new 7 day 100% deal

### COMMENTS:

Terry:

I have sent the wires totalling \$102,358.00 that never arrived from Paris, from here for the last project we did. Therefore you should deposit the entire \$520,000.00 (\$260k principle and \$260 profit) into our Hanover account #A01-002-01. This was done for speed and simplicity and to stop the "gainsayers" who had not received their profits on time.

You assured me this would not happen again and that it was indeed a banking error using Postal drafts? Instead of TT wires. With that in mind, you are authorized to place the entire \$520,000.00 back into this weeks deal! If needed I can also wire an additional \$100,000.00 from First Union within an hour. I WILL BE LEAVING FOR HOLIDAY AT NOON TODAY AND WILL BE AWAY UNTIL SUNDAY.

Also be advised that the \$10,325 wire from Antigua Development Bank was confirmed sent and the trace number is : #0610BIQFGY4X005146 therefore that money should be available as well. As well I am attaching a wire confirmation of another \$10,325 wire sent from ODB. And that money should be available as well. Please confirm these wires and IF you would like to have these funds to use as well.

Thanks,

61 3 466L NOH

FINERS 3RD FLOOR

29 JUL 1998 8:57

7

2982

25-JUL-98 SAT 14:20

G3

2095 344 1210

P. 1  
29-JUL-98 WED 7:45

Sent By: HP LaserJet 3100;  
To: WINSTON

At: 011441715910170

00000001234;

Jul-8-98 10:26AM;

Page 1/1

## FAX TRANSMISSION

HISWAY INTERNATIONAL MINISTRIES, TRUST

1080 BRANCH RD  
TOMPKINS CO. 14874  
803-628-0100  
FAX: 803-628-6020

To: T.S. Wingrove Date: July 5, 1998  
Fax #: 011-44-171-727-8009 Pages: 1, including this cover sheet.  
From: DR. JOHN W. CABE  
Subject: \$66,246.14 wire  
Terry.

Spoke to the Senior International Wire Officer at First Union National Bank (Julio Mandino) and he confirmed that TRN MT 100 # 980703-003340 in the amount of \$66,246.14 was sent by Swift at 9:27 A.M. on 7/3/98 and arrived Llyods bank within 12 minutes from that point. Further they confirm, and will have in writing that due to expanded hours Llyod Bank had "hours" to post and confirm that wire. Swift Message number is MIR # 980703-FUNB-US-33AXXX5250349777. This message confirms receipt of the funds by Llyod.

This amount was to be added to the \$83,753.86 sent on 7-2-98 that you confirmed receipt of. For a total of funds from first union of \$150,000.00. This was to married to the \$520,000.00 that you deposited into our Hanover Account A01-002-011 bringing a total into the 7 day deal of \$670,000.00 from us. I have performed far and above my original commitment of \$500,000 for this week's deal and feel strongly that our expectations should be fulfilled. My credibility, your credibility, Bill's credibility, Hanover's credibility, and Winston's credibility all hinge on the performance in 7 days of a double to \$1,340,000.00 on this transaction! Had I known there were contingencies, I could have forewarned the contributors. My understanding was that we were a part of a whole not the driving force. Hopefully, you will be able to pull this off and by Friday of this week (July 10, 1998) be able to put into our designated accounts the \$1,340,000. When we perform as we said we would—Money will no longer be a problem—floodgates of contributors will come to us!

Also be aware that as of Friday, not one of those 3 "postal direct drafts" totalling \$102,358.00 has arrived. Remember that I covered that with collection funds here as well. All have confirmed receipt of the replacement wires I did to cover you. Needless to say, this is also a concern.

PLEASE ADVISE ME ASAP AS TO THE SOLUTION TO THIS SITUATION. ONCE THIS PERFORMS WE ARE MORE THAN HAPPY TO CONTINUE TO PARTICIPATE WITH YOU AND MAY BE ABLE TO TAKE MORE OF THE PIECE OF THE PIE. WE ARE DUE A MAJOR PAYOFF NEXT WEEK FROM BILL.

*Winston*  
cc: Bill  
Winston

NO. 7994 P. 20

FINERS 3RD FLOOR

29 JUL 1998 8:58

2983

0171 344 5602

29-10L-98 WED 8:27

22A Ives Street  
South Kensington  
London SW3 2ND

Tel: +44-(0)171-591-0169  
Fax: +44-(0)171-591-0170

W.Allen & Co

# Fax

To: TERRY From: WINSTON ALLEN  
Fax: 01992 461674 Pages: 5  
Phone: \_\_\_\_\_ Date: \_\_\_\_\_  
Re: \_\_\_\_\_ CC: \_\_\_\_\_

☐ Urgent ☐ For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

• Comments:

Dear Terry,

Please find enclosed ~~some~~ the following faxes:-

1. Fax from Client in the US re the recovery of US\$ 1.7m.
2. Fax from Client re 2m being transferred into Harcourts Bank.
3. Fax from Villeneuve.

Thanks for everything that you are doing  
lets go and make some money.

Regards W

Winston

2984

Senate Permanent Subcommittee  
On Investigations  
EXHIBIT # 58f

Exhibit 58f.

**Casio Computer fraud documents**



Source: [All Sources](#) : [News](#) : [News Group File, Most Recent Two Years](#)  
 Terms: [casio and kelso](#) ([Edit Search](#))

*The Observer, June 21, 1998*

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 The Observer

June 21, 1998

**SECTION:** The Observer Business Page; Pg. 3

**LENGTH:** 432 words

**HEADLINE:** Casio admits to \$ 100m loss as executive goes into hiding

**BYLINE:** MICHAEL GILLARD

**BODY:**

JAPANESE electronics giant **Casio** Computer has admitted it has been the victim of a near \$ 100 million fraud involving a 'highly trusted' senior executive in its Tokyo head office.

**Casio** has launched legal proceedings in London, New York and Tokyo aimed at recovering the money. So far, \$ 52m has been traced and frozen, but \$ 44m is still missing.

Scotland Yard is investigating how \$ 30m transferred into bank accounts in London was misappropriated via an investment scheme which promised a 90 per cent return.

**Casio** lawyers declare in court documents that they were first alerted to the fraud by an Observer article in April regarding American Joseph **Kelso**, who claimed to be investing \$ 21.5m of the \$ 30m. **Kelso** is wanted on fraud charges in the US. Britain is trying to deport him.

An internal **Casio** investigation revealed two further unauthorised payments of \$ 2m and \$ 64m to Citibank accounts in New York in December 1997 and March this year.

**Casio** says Osamu Sayo, the deputy general manager who authorised the payments, has confessed to forging a director's signature.

Sayo was fired earlier this month. Described as 'a highly trusted employee with access to huge funds', Sayo was responsible for investing **Casio's** \$ 600m cash mountain, normally in bank deposits and low-risk funds.

Sayo is said to have disappeared and to be hiding in either Australia or New York. He is accused of conspiring with at least three New York-based Japanese associates to defraud **Casio**.

Mitsuyuki Hasegawa was given control over the \$ 64m. Some \$ 20m was transferred into his New York account at Citibank in April and May this year. **Casio** has frozen \$ 9m. Another Japanese associate of Sayo received the \$ 2m.

The initial \$ 30m was transferred in February last year by Sayo to Koshi (Theoddor) Tsuru. Tsuru was given a suspended sentence in Japan in 1990 for trying to sell uranium and in 1993 was acquitted of \$ 9m fraud charges in Arizona.

Tsuru claimed he invested \$ 25m from a Barclays account in London in a Canary Islands property development. Those involved in the project say they passed most of the money to **Kelso** for trading bonds.

**Casio's** lawyers have so far traced only \$ 135,000 of the \$ 21.5m transferred to **Kelso**. They say \$

Search - 5 Results - Casio and Kelso

<http://www.lexis.com/research/retr...5=12fa87ee0ed65a9453a87800f025e0bf>

8.5m of the \$ 30m went to Tsuru, Hasegawa and others, while those involved in the Canaries project received at least \$ 8m.

On June 10, **Casio** obtained a High Court order freezing assets of up to \$ 40m against Sayo, Hasegawa, Tsuru, **Kelso** and others sued for breach of contract, negligence and conspiracy.

**LANGUAGE:** ENGLISH**LOAD-DATE:** June 23, 1998

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Source: All Sources : **News** : News Group File, Most Recent Two Years  
Terms: **casio and kelso** ([Edit Search](#))  
View: Full  
Date/Time: Thursday, June 8, 2000 - 10:17 AM EDT

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## IN THE HIGH COURT OF JUSTICE

## CHANCERY DIVISION

Mr Justice Lightman sitting in Camera

Does  
 Wednesday the 9<sup>th</sup> June 1998  
 IN THE MATTER OF AN INTENTION ACTION  
 BETWEEN:-

Ch 1998 C No



CASIO COMPUTER CO LIMITED

Plaintiff

and

- (1) OSAMU SAYO
- (2) MITSUYUKI HASEGAWA
- (3) THEODDOR TSURU
- (4) CRANEST INTERNATIONAL INC
- (5) OCEAN VIEW MARKETING LIMITED
- (6) EUGEN KAISER
- (7) RICHARD WOLPOW
- (8) CHARIVARI CAPITAL CORPORATION
- (9) JOANNE MARLOWE
- (10) CRANE LIMITED
- (11) JOSEPH ROBERT KELSO
- (12) ASHMITA PATEL
- (13) BARCLAYS BANK PLC
- (14) ALPHA CREDIT BANK AE

Defendants

INJUNCTION PROHIBITING  
 DISPOSAL OF ASSETS WORLDWIDE

## IMPORTANT:-

## NOTICE TO THE DEFENDANTS

1. This Order prohibits you from dealing with your assets up to the amount stated. The order is subject to the exceptions at the end of the Order. You should read it all carefully. You are advised to consult a solicitor as soon as possible. You have a right to ask the Court to vary or discharge this Order.
2. If you disobey this Order you may be found guilty of Contempt of Court and any of your directors may be sent to prison or fined and you may be fined or your assets may be seized.

If you, the within named THEODDOR TSURU neglect to obey or disobey this order, you may be held to be in contempt of Court and liable to imprisonment. If CRANEST INTERNATIONAL INC neglects to obey or disobeys this order, you, THEODDOR TSURU (a director or officer of the said CRANEST INTERNATIONAL INC) may be held to be in contempt of Court and liable to imprisonment.

*[Signature]*  
 TAYLOR & FRANCIS, CHANCERY, 10 LINCOLN 1998

The Third Defendant must not:

- (1) remove from England and Wales any sums property or assets representing or derived from the monies described in Schedule 3 at the end of this order or
- (2) in any way dispose of or deal with or diminish the value of any sums property or assets (wherever located) representing or derived from the monies listed in Schedule 3 at the end of this Order, whether held or retained directly or indirectly in his sole name or joint names with another or others.

#### 15. DISPOSAL OF ASSETS

The Third Defendant must not:

- (1) remove from England and Wales or in any way dispose of or deal with or diminish the value of any of his assets which are in England and Wales whether in his own name or not and whether solely or jointly owned up to the value of US\$40,000,000; or
- (2) in any way dispose of or deal with or diminish the value of any of his assets whether they are in or outside England or Wales whether in his own name or not and whether solely or jointly owned up to the same value.

This prohibition includes the following assets in particular:-

- (a) any of his money at:
  - (i) Marine Midland Bank 140 Broadway 1<sup>st</sup> Floor New York New York;
  - (ii) Barclays Bank, Barclays International Banking Centre, PO Box

9044, 68 Knightsbridge London SW1X 7BW

- (iii) Alpha Credit Bank, London Branch, Fitzwilliam House, 10 St Mary Axe, London EC3A 8EN;
- (iv) Chase Manhattan Bank, New York, USA;
- (v) Citibank New York;
- (vi) Wells Fargo Bank;

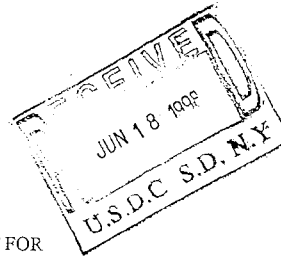
(b) any beneficial interest in:

- (i) funds held in the United States in the order of US\$ 6 million- US\$ 7 million;
- (ii) a house in Japan valued at US\$ 2 million;
- (iii) a home in Florida, USA valued at US\$2 million;
- (iv) an apartment in New York valued at US\$ 1.8 million;
- (v) a yacht valued at US\$ 4 million.

16. If the total unencumbered value of the Third Defendant's assets in England and Wales exceeds US\$ 40,000,000, the Third Defendant may remove any of those assets from England and Wales or may dispose of or deal with them (except for those assets referred to in paragraph 14 above) so long as the total unencumbered value of his assets still in England and Wales remains above US\$ 40,000,000 provided always that there shall be treated as part of the Third Defendant's assets for the purpose of calculating the aforesaid value of US\$ 40,000,000 any sums or assets that the Third Defendant acknowledges represent or are derived from the monies or assets listed in Schedule 3 at the end of this Order and to be in the possession, custody or power of the Third Defendant in England and Wales.

RECEIVED

McCARTER & ENGLISH, LLP P C 07  
 One World Trade Center  
 Suite 2247  
 New York, NY 10048-0263  
 (212) 466-9018  
 [STT-6088]  
 Attorneys for Plaintiff



UNITED STATES DISTRICT COURT FOR  
 THE SOUTHERN DISTRICT OF NEW YORK

---

CASIO COMPUTER CO., LTD.

Plaintiff,

v.

OSAMU SAYO, MITSUYUKI  
 HASEGAWA, THEODOR TSURU,  
 CRANEST INTERNATIONAL INC.,  
 OCEAN VIEW MARKETING LIMITED,  
 EUGEN KAISER, RICHARD WOLPOW,  
 CHARIVARI CAPITAL CORPORATION,  
 JOANNE M. MARLOWE, CRANE  
 LIMITED, JOSEPH ROBERT KELSO,  
 ASEMITA PATEL and WAYNE  
 NISHIYAMA,

Defendants.

---

Civil Action No. 98 Civ. 3772 (WK)

**SECOND AMENDED COMPLAINT**

Plaintiff Casio Computer Co., Ltd. ("Casio"), pursuant to leave and Order of the Court, herewith amends its Amended Complaint in the form of this Second Amended Complaint, for the purposes of (a) supplying additional identification and information concerning the defendants named in the Amended Complaint, (b) adding various factual details to support the claims and allegations made herein, (c) amending or modifying certain counts or legal theories of recovery which grow out of the events and facts alleged in the Amended Complaint, (d) adding

certain counts and legal theories against certain of the defendants named in the Amended Complaint, and (e) adding certain new defendants namely, Ocean View Marketing Limited, Eugen Kaiser, Richard Wolpow and Ashmita Patel, each of whom, along with other defendants, are subject to the Injunction Prohibiting the Disposal of Assets Worldwide entered by The High Court of Justice in London, England.

#### SUMMARY OF CASE

1. This case concerns a series of frauds and conspiracies in which a rogue employee of Casio, Osamu Sayo, conspired with Mitsuyuki Hasegawa and others to divert and steal millions of dollars of Casio funds and the proceeds of securities investments. During the course of these conspiracies, the various conspirators lied to, and cheated, Casio and each other, generated fraudulent records to conceal the frauds, and engaged in an elaborate series of wire transfers in an effort to launder the stolen funds and conceal their racketeering activities.

#### JURISDICTION AND VENUE

2. This is an action for damages and declaratory relief arising under the laws of the United States. The Court has jurisdiction over the subject matter of this action, pursuant to 28 U.S.C. §1331 (federal question), because plaintiff Casio asserts claims under the Racketeer Influenced Corrupt Organizations Act ("RICO"), 18 U.S.C. §§1961 *et seq.* and the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. §§78a *et seq.*

3. The Court has jurisdiction over the state law claims under the principle of supplemental jurisdiction. Supplemental jurisdiction over the state law claims exists pursuant to 28 U.S.C. §1367(a) because the state law claims are so related to the claims over which the Court has original jurisdiction that they form part of the same case or controversy.

4. Personal jurisdiction is derived from either 18 U.S.C. § 1965(b) or (d) and 15 U.S.C. § 78aa for the domestic defendants under RICO and the Securities Exchange Act of 1934, respectively. With respect to the foreign defendants, this Court may exercise personal jurisdiction under CPLR 302, New York's long arm statute, and Restatements (Second) Conflicts of Law §§ 35-37, 47, 49 and 50, for the RICO and Securities Exchange Act claims, respectively. This Court has personal jurisdiction over the foreign-resident defendants named below because, among other things, they are and were co-conspirators of the United States citizens, United States residents and defendants in the commission of the federal law violations alleged herein; they or their agents and/or representatives or control persons traveled to and from this District and conducted business or transactions or communications relating to the Casio funds (the \$30,000,000, \$2,000,000, and \$64,000,000 entrusted by Casio to defendant Osamu Sayo hereafter shall be referred to as "Casio Funds") in this District; the Casio Funds were transferred through banks and brokerage firms in the United States and within this District for the purpose of paying to defendants unlawful sums and profits derived from the Casio Funds to the foreign-resident defendants; the foreign-residents' plans, activities, and schemes materially affected the United States and commerce and persons in the United States; and foreign-residents conspired to commit torts, committed torts, and participated in the commission of torts by others, while they or their agents or co-conspirator were in the United States.

5. Venue is proper in this District (a) under 28 U.S.C. §1391(b) and (d) because certain defendants are residents of, have an agent or agents in, or transact their affairs in this District, and because a substantial part of the events or omissions giving rise to the claims arose in the District, and because certain of the defendants are aliens and may be sued in any district, (b) under the co-conspirator theory of venue applicable to RICO, 18 U.S.C. §1965(a),



and Securities Exchange Act actions 15 U.S.C. 78aa, and (c) because the ends of justice require that other parties residing in other districts be brought before the Court.

**RELEVANT TIME PERIOD**

6. The relevant time period to this Second Amended Complaint is from at least February 1997 (depending on the date defendants or certain defendants conspired to defraud Casio, the beginning of the relevant time period may be much earlier). Therefore, the beginning date is the date when certain defendants conspired to create and embark on a fraudulent scheme for the unlawful and dishonest intention and purpose of obtaining control of approximately \$100,000,000 of Casio Funds to convert to their own use and benefit. The relevant time period is ongoing in that defendants are still concealing the whereabouts of the Casio Funds and have so far refused to provide Casio with any explanation as to its whereabouts or uses.

**THE PARTIES**

7. Plaintiff Casio is a company registered under the laws of Japan and is engaged in the business of manufacturing, developing, marketing and selling electronic and computer goods of different types worldwide. Its President is Kashuo Kashio ("Kashio") and one of its four managing directors is Yoshiaki Suzuki ("Suzuki"). Isamu Matsushima ("Matsushima") is the Head of Casio's Legal Department.

8. Defendant Osamu Sayo ("Sayo") was employed by Casio as Deputy General Manager of its Finance and Treasury Division at Casio's main offices in Tokyo, Japan. Sayo's employment was terminated on June 4, 1998 as a result of the conduct alleged against him

herein. Sayo is a citizen of Japan and maintained a residence at 2-12-14 Narita-higashi, Suginami, Tokyo, Japan.

9. Defendant Mitsuyuki Hasegawa ("Hasegawa") is believed to be a citizen of Japan with a residence in this District at 149 Fifth Avenue, Suite 711, New York, New York 10011.

10. Defendant Theodora Tsuru ("Tsuru") is believed to be a citizen of Japan with a residence in this District at 721 Fifth Avenue, 44<sup>th</sup> Floor, New York, New York 10022.

Defendant Cranest International, Inc. ("Cranest") is owned and/or controlled by Tsuru, who purports to be its Chief Executive Officer.

11. Defendant Cranest is believed to be a corporation organized under the laws of the State of California with its principal place of business at 721 Fifth Avenue, 52<sup>nd</sup> Floor R, New York, New York 10022. Cranest also purports to have a place of business at 8383 Wilshire Boulevard, Suite 360, Beverly Hills, California 90211. Cranest is managed, operated, and controlled by Tsuru.

12. Defendant Joanne Marlowe ("Marlowe") is a citizen of the United States with a residence in Illinois at 2300 Berrington Road, Hoffman Estates, IL 60195. Defendant Charivari Capital Corporation ("Charivari") is owned and/or controlled by Marlowe, who purports to be its President and/or Director and/or Secretary.

13. Defendant Charivari is a company registered under the laws of Barbados with its principal place of business at Parker House, Wildley Business Park, Wildley Road, St. Michael, Barbados. Charivari is managed, operated, and controlled by Marlowe.

14. Defendant Joseph Robert Kelso ("Kelso") is a citizen of the United States who is currently residing under "house arrest" at the Sheraton Park Tower Hotel, Knightsbridge,

London, England. Kelso is believed to be the Chairman, President and Chief Executive Officer of defendant Crane Limited ("Crane") and owns and/or controls Crane.

15. Defendant Crane is a company registered in the Isle of Man with an office at 19 Mount Haverlock, Douglas, Isle of Man and a place of business at ESS Plant, Unit 2a, Start Hill, Bishops Stortford, Hertfordshire CM22 7DG. Crane is managed, operated, and controlled by Kelso and Ashmita Patel.

16. Defendant Wayne Nishiyama ("Nishiyama") is believed to be a citizen of the United States with a residence in this District at 529 West 42<sup>nd</sup> Street, New York, New York 10036.

17. Defendant Eugen Kaiser ("Kaiser") is believed to be a citizen of Australia. Kaiser is the Chief Executive Officer of Ocean View Marketing, Ltd.

18. Defendant Richard Wolpow ("Wolpow") is the Managing Director of Ocean View Marketing, Ltd.

19. Defendant Ocean View Marketing, Ltd. ("OVM") is a company registered in the Isle of Man with an office at Derby House, Athol Street, Douglas, Isle of Man with a place of business at Carretera General del Sur s/n, E-35120 Arguineguin, Gran Canaria. OVM is managed, operated, and controlled by Kaiser and Wolpow, and upon information and belief, Tsuru.

20. Defendant Ashmita Patel ("Patel") has a residence at Flat 75, Onslow Court, Prince Albert Road, London, England NW8 7EW. Patel is a director of Crane or otherwise controls its activities now that Kelso is under "house arrest."

THE CONSPIRACY AND SCHEME TO DEFRAUD CASIO

21. While Sayo was employed as the Deputy General Manager of the Finance and Treasury Division at Casio, he owed Casio fiduciary, contractual and duties of care (a) to exercise the powers entrusted to him by Casio for the performance of his duties in Casio's best interests and not for his own interests or the interests of other persons; (b) not to allow his interests to conflict with those of Casio; and (c) not to make any personal or secret profits from the use of his position or Casio's assets. Sayo breached each of these duties, with the knowing participation of the other defendants, in furthermore of a conspiracy, by misappropriating funds in the amounts of \$30,000,000, \$2,000,000, and \$64,000,000 which were, over the relevant time period, entrusted to him by Casio.

22. Defendants' fraudulent scheme and pattern of unlawful racketeering activity began, at the latest, in or around February 1997. The defendants, including Hasegawa, conspired with one another and others to use Sayo's position at Casio for the unlawful and dishonest intention and purpose of obtaining control over substantial monies belonging to Casio which they would then either "pocket" themselves or use to generate profits and income for their own benefit and purpose, all the while concealing their fraudulent activities from Casio. All told, the defendants repeatedly and continuously defrauded Casio on at least three separate occasions in an amount not less than \$96,000,000, by conspiring to defraud Casio out of \$30,000,000, \$2,000,000 and \$64,000,000 entrusted to Sayo by Casio for investment in the United States.

23. Casio's investigation of each defendant's continued role and participation in this conspiracy continues, but with the limited information available to Casio at this time (not having the benefits of discovery or an accounting from any defendant) the unlawful scheme constitutes classic racketeering activity which apparently began as follows: Pursuant to

defendants' conspiracy and fraudulent scheme, and in breach of Sayo's duties to Casio, the defendants embarked on a plan to steal as much as they could from Casio. All defendant's knew that their roles in the scheme were unlawful and dishonest because, among other reasons, they intended to make profits for their own benefit and purposes from monies properly belonging to Casio without Casio's prior knowledge or approval. Defendants obtained the ability to control Casio's monies by the use of Sayo's position. Sayo falsely represented to Casio the purpose for which the Casio monies were intended to be, and were, used and omitted to tell his superiors that he intended to divert Casio's monies and the proceeds of securities sales into personal and business accounts of his co-conspirators and other unidentified persons.

**A. THE \$30,000,000 DEFALCATION.**

24. On or about February 5, 1997, Sayo obtained from the relevant members of Casio's board who were empowered to give such authority, and in accordance with Casio's internal procedures for obtaining the same, written authority to invest up to the yen equivalent of \$30,000,000 in securities, namely, foreign currency investment in mainly AAA class short term bonds guaranteed by the US Government and foreign currency time deposits at three month periods. The purpose was to pursue profits to offset the depreciation of the yen on foreign exchange markets. Exhibit I.

25. On or about February 18, 1997, Sayo and Hasegawa concocted a document (the "forged PoA") entitled "Special Limited Power of Attorney" which purported to be an instrument whereby Casio, acting by Suzuki and Sayo, granted to Hasegawa and Tsuru all rights, powers and authority to act on behalf of Casio, including to make all arrangements and contracts necessary to "initiate and implement all Private Investment contracts which could allow the realization of investment offering both high yields and full total, permanent security" on the

terms and conditions therein set out. Exhibit 2. The forged PoA stated that it was to be assignable, not to expire before March 31, 1998 and thereafter to be terminable upon 30 days written notice. Although signed by Sayo, a seal of Casio was affixed to it without Casio's authority, and Suzuki's signature thereon was forged by Hasegawa or one of his associates using a copy of Suzuki's passport furnished to Hasegawa by Sayo. Sayo later confessed to his role in the forgery of Suzuki's signature. Exhibit 3. Therefore, the forged PoA was a nullity and of no legal effect;

26. Shortly thereafter, Tsuru opened an account at the Marine Midland Bank, 140 Broadway, New York in the name of Casio (giving as its address in the United States Tsuru's own address at 712 5<sup>th</sup> Avenue, New York, New York) and upon which Tsuru and Sayo were joint signatories. Tsuru thereafter set down in writing the steps for the unlawful transfer of the Casio Funds. Exhibits 4 and 5;

27. On or about March 13, 1997, in furtherance of the conspiracy, Sayo procured the wire transfer of \$10,000,000 belonging to Casio from Casio's bank account at The Hong Kong and Shanghai Banking Corporation Limited Tokyo Branch to Tsuru's account at Marine Midland Bank New York ("the MMB account"). Exhibit 6. Further, on or about March 19, 1997 Sayo procured the wire transfer of an additional \$20,000,000 belonging to Casio from Casio's bank accounts elsewhere to Casio's account at Citibank NA, 153 53<sup>rd</sup> Street, New York, Exhibit 7, and thence to the account at Marine Midland Bank New York. Exhibit 8. The expression "Casio monies" used herein refers, as the context requires, to this initial \$30,000,000 or the proceeds or profits derived therefrom or from any part of them;

28. In late March 1997, Tsuru took steps to open a bank account no. 59568511 sort code 20-47-35 at Barclays Knightsbridge in London ("the First Knightsbridge account") in

Casio's name but controlled by himself and Sayo as signatories. To this end, Sayo furnished to Barclays Knightsbridge the following documents prepared by him without the knowledge or authority of the officers of Casio who were, in fact, authorized to provide the same:

- (a) a letter addressed to Barclays Knightsbridge dated March 27, 1997 on Casio letterhead signed by Sayo and to which Casio's seal, Exhibit 9, was added without Casio's authority, falsely representing that:
    - "1. [Tsuru] is authorized to open an account on behalf of [Casio] in London;
    2. [Tsuru] is authorized to invest substantial sums of money on [Casio's] behalf including transfers to a personal account in his name";
  - (b) a purported minute dated April 3, 1997 of a resolution of Casio's board at a meeting taking place on that date in Tokyo resolving to issue in favor of Barclays a facsimile indemnity in the form required by it and authorizing Tsuru to execute the same on its behalf. Exhibit 10. In fact no such meeting had taken place or resolutions adopted. Casio's seal had been affixed to the purported minute by Sayo without Casio's authority. Because the minute was forged by Sayo or his co-conspirators, it is a nullity being of no legal effect;
29. In about March 1997 Tsuru and Sayo apparently had wire transferred the \$30,000,000 million belonging to Casio from the MMB account to the First Knightsbridge account opened in Casio's name at Barclays Knightsbridge.

30. Thereafter, Tsuru procured the wire transfer of \$25,000,000 million to an account no. 83824866 sort code 20-47-33 ("the Second Knightsbridge Account") at Barclays Knightsbridge which was in his own name only and in respect of which he was sole signatory.

31. On or about May 1, 1997, Tsuru entered into a purported Project Management and Funding Agreement (the "Los Frailes Contract") with OVM in furtherance of the conspiracy for the investment of \$25,000,000 providing for payments to Tsuru's personal account at Barclays Bank. Exhibit 11. As set forth in Exhibit A to the Agreement, the \$25,000,000 was to be transferred back to Tsuru at his personal account at Barclays Bank after one year and additional payments to him over 49 weeks totaling another \$22,500,000.

32. As a result of the forged PoA and conversion of the Casio monies, Casio was defrauded out of the initial \$30,000,000 with, as set forth below, the knowing participation of the other defendants who thereafter embarked upon an elaborate fraudulent scheme to conceal the same from Casio.

**(i) Tsuru's Knowing and Substantial Participation in Defrauding Casio Out of at Least \$30,000,000**

33. Tsuru's participation in the conspiracy to defraud Casio out of the \$30,000,000 and into his control (as signatory on the MMB and First Knightsbridge accounts and subsequently as sole signatory on the Second Knightsbridge account) warrants the imposition of a constructive trust over at least \$30,000,000 of his funds.

34. According to Tsuru, he lost control of the \$25,000,000 when the funds were transferred from OVM's account at Alpha Credit Bank, to which he was a joint signatory, to OVM's account at Barclays Bank plc in the Isle of Man over which he claims to have no signatory authority. Exhibit 12.



35. In breach of his duties to Casio as a constructive trustee and in furtherance of the conspiracy to defraud Casio, Tsuru acted as follows:

- (a) Tsuru failed to take any adequate or proper steps to preserve the \$30,000,000 for the benefit of Casio or to prevent their being subject to a risk of dissipation or to account to Casio in respect to them or to return them to Casio immediately or at all;
- (b) Tsuru converted \$5,000,000 of the Casio monies for his own benefit and/or purposes in the First Knightsbridge account which constitutes an outright theft of Casio monies. Exhibit 13;
- (c) Without the benefit of any proper or adequate prior investigation, research or due diligence in respect thereof, through the Los Frailes Contract, Tsuru conspired with OVM to launder the \$25,000,000 through the Second Knightsbridge account in a purported project to construct a hotel and golf course on Gran Canaria ("the Los Frailes Project"). The Los Frailes Contract provided, inter alia, that:
  - (1) OVM would cause to be issued:  
 "an acceptable bank-issued one (1) year term Demand Guarantee covering One Hundred Percent (100%) of the amount assigned for management to [OVM]";
  - (2) the \$25,000,000 would be transferred by Tsuru into an account at Alpha Credit Bank called "Harris Bank International Ltd New York . . . Reference [OVM] . . . Account No. 60011" as a "Custodian/Trustee Account" ("the Alpha account");

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- (3) starting 15 banking days from receipt into that account 24 payments (by way of profits) of \$937,500 would be made fortnightly into Tsuru's account no. 83824866 at Barclays Knightsbridge amounting to a total return of \$22,500,000 over 49 weeks;
- (4) the investment of \$25,000,000 would in addition be returned after 1 year. In light of these contract provisions, Tsuru knew or should have known, the wire transfer of \$25,000,000 to OVM was just another step in the fraudulent scheme to defraud Casio. The Los Frailes Project was at best, a highly risky investment in which to invest the \$25,000,000 Casio monies and at worst a sham or fraud;
- (d) On or about May 5, 1997, Tsuru conspired with Kaiser and Wolpow to obtain an additional secret profit from the purported Los Frailes Project by being allocated an equity stake therein;
- (e) On or about May 6, 1997, Tsuru caused Barclays Knightsbridge to wire transfer \$25,000,000 of Casio Funds from the Second Barclays account to the account at Alpha referred to in sub-paragraph (b) above, which was an account upon which he was joint signatory with Wolpow.
- (f) On or about May 23, 1997, Tsuru knowingly permitted and assisted in the wire transfer of the \$25,000,000 out of his control and out of England to an account in the name and under the sole control of OVM at Barclays Bank in the Isle of Man;
- (g) On or about May 27, 1997, Tsuru knowingly permitted and assisted the purported transfer of \$25,000,000 from the account of OVM at Barclays Bank, Douglas, Isle of Man, to OVM's account at Barclays Bank, New York. Exhibit 14;

- (h) On or about June 6, 1997, Tsuru knowingly permitted and assisted the further wire transfer of the \$25,000,000 from the account of OVM at Barclays Bank New York to an account no. 5677025 at Northern Trust Company, Chicago, Illinois, in the name of OVM and/or Charivari;
- (i) Tsuru failed to take any prompt or adequate legal steps, at that time, to recover or regain control of the \$25,000,000 unlawfully transferred by him to OVM and/or Kaiser and/or Wolpov or later to Charivari and/or Marlowe and/or Crane and/or Kelso and/or Patel;
- (j) Thereafter, Tsuru sought from OVM and/or Kaiser and/or Wolpov and/or Charivari and/or Marlowe and/or Crane and/or Kelso (some or all of whom by them controlled these funds) a further secret profit of \$5,000,000 to be paid as a fee for introducing and/or to be paid out of the \$25,000,000 that had been transferred and laundered through OVM. As set forth in the next Section, the \$25,000,000 was further laundered by defendants in an effort to further conceal the conspiracy to defraud Casio.
- (k) On or about September 19, 1997, as further payments to Tsuru for his role in the conspiracy to defraud Casio, Tsuru agreed with his co-conspirator to unlawfully transfer at least an additional \$3,500,000 of the \$25,000,000 originally transferred by him to OVM. This sum was wire transferred to an account no. 400025132 held at a branch of Chase Manhattan Bank in New York in the account name of Yamaichi Bank Switzerland (the "CMB account") after which it was further disbursed or appropriated by Tsuru for his own benefit or purposes including about \$1,100,000 million thereof which was disbursed via wire transfer to

Hasegawa. Exhibit 15. The \$3,500,000 million transfer instruction supplemented an earlier \$5,000,000 million transfer instruction. All told, it appears that Tsuru stole at least \$8,000,000 of the Casio Funds or appropriated them to his personal benefit;

- (l) The co-conspirators have concocted different stories as to the whereabouts of the Casio monies in an effort to further conceal the fraudulent scheme. Attached as Exhibit 16 is a "Brief History of Casio Funds Managed by Theoddor Tsuru" and purportedly prepared by him, together with a rebuttal to the same purportedly prepared by Marlowe, Exhibit 17, on behalf of Charivari and OVM. A "File Note on Meeting with Joanne Marlowe" on November 19, 1997 prepared by counsel to Tsuru is also attached as Exhibit 18. The co-conspirators are at odds as to the truth and the whereabouts of the Casio monies;
- (m) By the terms of a written agreement dated September 29, 1997 ("the Settlement Agreement") Tsuru conspired with OVM, Kaiser, Wolpow, Charivari and Marlowe, inter alia, to participate in the generation and division between them of further secret profits using Casio's monies in an apparent effort to resolve their differences with respect to sharing the proceeds of the fraudulent scheme. Exhibit 19;

**(ii) OVM's, Kaiser's and Wolpow's Knowing and Substantial Participation in Defrauding Casio Out of at Least \$30,000,000**

36. OVM, Kaiser, and Wolpow never intended at any stage to use the Casio monies towards investment in this, or any, Los Frailes Project (which did not in fact exist). On receipt of the Casio monies into their control by their transfer to the OVM account at Alpha, or at

UNITED STATES DISTRICT COURT FOR  
THE SOUTHERN DISTRICT OF NEW YORK

CASIO COMPUTER CO., LTD.	:	Civil Action No. 98 Civ. 3772
	:	(WK)
Plaintiff,	:	
	:	
v.	:	
	:	
OSAMU SAYO, MITSUYUKI	:	
HASEGAWA, THEODDOR TSURU,	:	
CRANEST INTERNATIONAL INC.,	:	
OCEAN VIEW MARKETING LIMITED,	:	
EUGEN KAISER, RICHARD WOLPOW,	:	
CHARIVARI CAPITAL CORPORATION,	:	
JOANNE M. MARLOWE, CRANE	:	
LIMITED, JOSEPH ROBERT KELSO,	:	
ASHMITA PATEL and WAYNE	:	
NISHIYAMA,	:	
	:	
Defendants.	:	

EXHIBITS TO SECOND AMENDED COMPLAINT

McCARTER & ENGLISH, LLP  
One World Trade Center  
Suite 2247  
New York, NY 10048-0263  
(212) 466-9018  
[STT-6088]  
Attorneys for Plaintiff

BRIEF HISTORY OF CASIO FUNDS MANAGED BY  
THEODDOR TSURU

sch. No.

- 1) Theoddor Tsuru (TT) was given exclusive management of \$30mil belonging to Casio Computer Corp Ltd (Casio).  
  
\$5mil was paid on fees from the initial sum, and \$25mil was placed in an account with Barclays Bank, Knightsbridge, London. *Personal Account Tsuru*
- 2) In May 1997 TT placed the \$25mil under the management of Ocean View Marketing Ltd (CEO Eugen Kaiser, MD Richard Wolpow) ("OVM"). OVM represented that they were fund managers who had substantial funds under management in various high yield investment programs. *L.S. Frail*  
  
The funds were moved to Alpha Credit Bank, London to an account where Richard Wolpow and TT were joint signatories. The stated management objective was to exchange the funds for 100 + LIBOR one year notes.
- 3) Following numerous delays and extensions, on Thursday 22<sup>nd</sup> May a letter was issued to Alpha Credit Bank stating that the funds were to be held on overnight deposit.  
  
On Friday 23<sup>rd</sup> May Wolpow telephoned TT and said that they had an excellent opportunity in a trading program if the funds were moved immediately to the Isle of Man. Wolpow insisted that there was no time for TT to fly to London; and it had to be done immediately. Wolpow promised that the following Monday a bank guarantee would be issued and thus the funds would never be at risk. TT agreed to allow the funds to be moved to OVM's account with Barclays, Isle of Man.
- 4) From this point on TT never had effective control of the funds. No bank guarantee was ever issued. We know that for reasons unknown the funds were moved to Rothschilds, Northern Trust and back again. None of these movements were ever discussed with TT and certainly did not have his permission. At around this point Charivari enters the picture. Northern Trust had closed Charivari's account at around this time for unspecified reasons and Rothschilds were concerned about money laundering. We believe some report was issued to the FBI at this point.

- (8) Having all along stated that they were principals and they themselves were the fund managers, OVM now contracted for the management of the \$25mil with Charivari. No proper information was provided on the fund management agreement (despite repeated requests).
- (9) During August OVM told TT that the bank guarantee (promised two and a half months previously) would not be issued for 1 year but an authenticatable deposit receipt with a CUSIP number could be issued. If TT agreed to this then the profits could be increased by 10 times. TT agreed this but subject to OVM and Charivari giving full disclosure as to the location and management of the funds AND the payment of the fees (\$5mil) and profits already promised. At this point Charivari and OVM agreed they would provide a statement showing capital plus profits for Casio was \$33mil (not a hard task if even a fraction of what they had said previously was true). OVM and Charivari represented that profits already made (in excess of \$12.5mil) would be disbursed by the end of the month. TT repeated this information to Casio. None of it was done.
- (10) These funds were never produced and Casio began to get worried. To placate them TT personally borrowed \$3.5mil which was paid to Casio.
- (11) Throughout the foregoing period TT became increasingly worried that the funds had in fact been stolen. At best it appeared that they were being used to generate profits in which TT and Casio were not going to share.
- (12) After further delays, non-performance etc OVM issued a letter on 8<sup>th</sup> September stating (inter alia):
- The syndication fee of \$5mil had been wired to TT on 4<sup>th</sup> September. This was not true.
  - A new structure would be put in place identifying the funds as being under TT's control
  - The projected profits of 360% p.a. would be clearly stated in a "revised master agreement"
  - Funds totaling \$33mil would be available for audit by Casio between 25<sup>th</sup> September and 10<sup>th</sup> October.

None of these were ever done.

- 13) In September TT signed a document (which was witnessed by Crane) whereby he accepted a payment of \$3.5mil out of capital. This was taken by TT in order to repay the loan he had taken out earlier. TT signed this document under duress, as it seemed to be the only method to repay the loan. (The costs of this loan have been documented to OVM and they have accepted that it is their responsibility to pay these costs but they have not done so.)

- 14) This payment of \$3.5mil "reduced" the capital under management to \$21.5mil. However since by this time OVM and CCC had represented that \$12.5mil profits had been made but it should never have been necessary. Para 9, 12

- 15) On 21<sup>st</sup> September TT consulted Richard Poulden ("RP"), a lawyer with some experience in these matters. RP cautioned that in reality after 5 months TT had nothing: most of the agreements with OVM had been breached by them, the location of the funds was unknown but purportedly was with yet another group Crane Limited, Charivari had (and still do) refused to produce a copy of their management agreement with Crane and TT had no control over the funds.

- 16) Over the period 27<sup>th</sup> to 29<sup>th</sup> September a "Settlement Agreement" was negotiated between TT, OVM and Charivari. Part of the objective of this was to satisfy the purported demands of Crane Limited that the various parties "sort themselves out" and establish clearly to whom the funds belonged.

- 17) The Settlement Agreement set out various tasks which had to be performed by OVM and Charivari related to establishing a clear audit trail of management agreements etc relating to the funds, producing statements from Crane as to what was held and where and establishing the bona fides of themselves and Crane.

- 18) Within the first week they were once again in breach of many of the provisions of the new agreement. Casio were becoming increasingly agitated about the whereabouts of their funds.

- 19) On 3<sup>rd</sup> October Casio appointed Shigeo Hashimoto ("SH") to investigate the location of their funds and profits. SH appointed RP to act with him in this process.



Over the following weeks numerous promises were made by Charivari and OVM about profit distributions, audits being prepared etc. These included various statements of profits which had been made of \$26mil (not including the original \$12.5mil which is still "frozen" in ?Midland). No documents have ever been produced and no funds have been distributed.

Finally, over one month after the Settlement Agreement had been signed and with OVM and Charivari in breach of multiple provisions of this agreement, on 31<sup>st</sup> October RP issued notices to Charivari and OVM setting out the various breaches of the Settlement Agreement. Although both companies have acknowledged receipt of the notices they have failed to remedy the breaches or make a satisfactory response.

On 6<sup>th</sup> November Casio issued a new power of attorney to SH specifically authorizing him to negotiate with OVM, Charivari and Crane Limited for the return of the capital and profits.

3010

CASIO COMPUTER CO., LTD.  
6-1, Nishi-Shinjuku 2-chome  
Shinjuku-ku, Tokyo 163-02 Japan  
Cable: CASIOKEISAIKU  
Telex: CASO J28871

CASIO.

Mr. Shigeo Hashimoto  
Mr. Mitsuyuki Hasegawa  
149 Fifth Avenue, Suite 711  
New York, NY 10011  
U. S. A.

October 3, 1997

Dear Mr. Hashimoto and Mr. Hasegawa,

As of October 3rd, 1997, USA Eastern Time, we officially withdraw authorization of our total operating funds, US\$30,000,000.00 which is currently in operation, from Mr. Theodore K. Tsuru (Passport No. Japan MZ0030531KOSHI TSURU) due to breach of contract. Therefore, we urgently direct and delegate the entire authorization in regard to the recovery of our capital and investment profits including management of legal problems to Mr. Hashimoto and Mr. Hasegawa.

Yours sincerely,

佐世修

Osamu Seyo  
Deputy General Manager  
Finance and Treasury Division  
Casio Computer Co., Ltd.  
6-1 Nishi-Shinjuku 2-chome  
Shinjuku-ku, Tokyo 163-02  
Japan

3011

1. Third Affirmation
2. Theoddor Tsuru
3. 3rd Defendant
4. January 1999
5. TT4

IN THE HIGH COURT OF JUSTICE  
CHANCERY DIVISION

CH 1998 - C No. 3241

BETWEEN:

CASIO COMPUTER LIMITED

Plaintiff

and

- (1) OSAMU SAYO
- (2) MITSUYUKI HASEGAWA
- (3) THEODDOR TSURU
- (4) CRANEST INTERNATIONAL INC
- (5) OCEAN VIEW MARKETING LIMITED
- (6) EUGEN KAISER
- (7) RICHARD WOLPOW
- (8) CHARIVARI CAPITAL CORPORATION
- (9) JOANNE MARLOW
- (10) CRANE LIMITED
- (11) JOSEPH ROBERT KELSO
- (12) ASHMITA PATEL
- (13) BARCLAYS BANK PLC
- (14) ALPHA CREDIT BANK A.E.

Defendants

---

THIRD AFFIRMATION OF  
THEODDOR TSURU

---

STATE OF NEW YORK]

ss:

COUNTY OF NEW YORK]

THEODDOR TSURU being duly affirmed deposes and says:

I. I am the third Defendant in this action.

contract". It is not clear to me whether this referred to a breach of contract on my part or on the part of those with whom I was dealing. My view is that the latter is the case since I continued to be involved on the instructions of Casio. This was communicated to me by letter of 3 October 1997 a copy of which appears at Page 166. The letter ends:-

*"therefore we urgently direct and delegate the entire authorisation with regard to the recovery of our capital and investment profits including management of legal problems to Mr Hashimoto and Mr Hasegawa".*

The letter was signed by Sayo. On 7 November 1997 Casio granted Hashimoto a power of attorney to recover the funds ("the Hashimoto POA") a copy of which appears at pages 169 to 170. Following the revocation of my authority I would quite happily have ceased my dealings with Casio, particularly in view of the threats against me by Hashimoto but Hashimoto insisted that I assist him in recovering the funds and I really did not have a choice in the matter.

210. In or around the end of September or the beginning of October 1997 I engaged the services of a Mr Richard O'Dell Poulden ("Poulden") who had represented himself to me as being a barrister. I had been introduced to Polden by Wolpow. It subsequently transpired that Poulden is non-practising. I did not know this at the time I was dealing with him.
211. On 27 October 1997 Poulden wrote a letter before action to Marlowe, a copy of which is at pages 167 to 168. The letter before action was based on breaches of the Settlement Agreement. If, as appears to be the contention of Casio, the Settlement Agreement was an attempt to make a secret profit I would not have taken such steps.
212. At the beginning of November 1997 Poulden suggested that his contact, Mr Chris Wilkes, might be able to assist in having Kelso confirm the whereabouts of the funds, make them available for auditing or at least provide an audit trail for Casio's accounting purposes and to make payments of profit. Accordingly, Poulden drafted

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1. Third Affirmation
2. Theoddor Tsuru
3. 3rd Defendant
4. January 1998
5. TT4

CH 1998 - C No. 3241

IN THE HIGH COURT OF JUSTICE

CHANCERY DIVISION

BETWEEN:

CASIO COMPUTER LIMITED  
Plaintiff

and

- (1) OSAMU SAYO
- (2) MITSUYUKI HASEGAWA
- (3) THEODDOR TSURU
- (4) CRANEST INTERNATIONAL INC
- (5) OCEAN VIEW MARKETING LIMITED
- (6) EUGEN KAISER
- (7) RICHARD WOLPOW
- (8) CHARIVARI CAPITAL CORPORATION
- (9) JOANNE MARLOW
- (10) CRANE LIMITED
- (11) JOSEPH ROBERT KELSO
- (12) ASHMITA PATEL
- (13) BARCLAYS BANK PLC
- (14) ALPHA CREDIT BANK A.E.

Defendants

---

THIRD AFFIRMATION  
OF  
THEODDOR TSURU

---

Titmuss Sainer Dechert  
2 Serjeant's Inn  
London  
EC4Y 1LT

Tel: 0171 583 5353  
Fax: 0171 353 3683  
Ref: CV412/T512001

Solicitors for the third Defendant

3014

Theoddor Tsuru

721 Fifth Avenue, Apt. 44A  
New York NY 10022  
Tel: (212) 753-2600  
Fax: (212) 753-3911  
E-mail: craneet@msn.com

08 August, 1997

Barclays Bank plc, Knightsbridge  
Attn: Mr. Marc Sells

Dear Mr. Marc Sells:

In relation to our participation in a private syndication of funds in support of a resort project in the Canary Islands, we have elected to utilize the US\$25,000,000.00 that had been placed under my care and discretionary management by Casio Computer Co. Ltd.

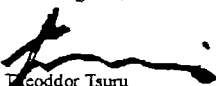
However, as you may know, I have looked at a number of both traditional and untraditional investment vehicles over the past few months in order to identify the highest and best purpose for the use of these funds which has created some necessity for a clarification of origin now that we have found an acceptable and conventional home for our investment funds.

To assist us in our endeavor, I would sincerely appreciate if you will confirm the following to us via return correspondence:

- a) the date of deposit of those funds to my account with you;
- b) the remitter of said funds to our account;
- c) the means by which funds were deposited (i.e. bank draft, SWIFT, cashier's check, etc.)
- d) the form of valid authorization of myself to manage and invest these funds on behalf of the remitter; and
- e) the date of withdrawal of said funds and the identity of the Company in whose favor said funds were drawn.

If you can be so kind as to draw this letter today for pickup by Mr. Kaiser of Ocean View Marketing, it would be of great assistance in furthering the commencement of the resort construction. Please be advised that the letter will only be provided to the The Northern Trust Bank, 50 S. La Salle St., Chicago, IL 60675, John Snyder/Bryan Beane, 312-444-7028 (facsimile) and the applicable regulatory agent, Mr. Bryan Beane, both of which are responsible for establishing the providence of our funds. Mr. Beane may elect to contact you for the purpose of validating your position so please include your contact numbers.

Best Regards,



Theoddor Tsuru

(212) 753-3626

c.c. Eugene Kaiser

**RESOLUTE INVESTMENTS LIMITED**

*C/o Hashi Research Consultants  
149 5th Avenue, Suite 711  
New York, NY 10011*

Mr R. O'D. Poulton  
C/o 47 Park Street  
London W1

6<sup>th</sup> April 1998

Via Facsimile to 0171 491 7281

Dear Richard,

Reluctantly I accept your advice that you should meet with the journalist who has been harassing everyone over the last few weeks. I suppose it is better to try and set the record straight rather than have the wrong story published.

In your meeting you may show him this letter and also my original power of attorney from Casio.

For the record:

- Casio are not involved in any investment or property development as has been suggested. All rights have been assigned to Resolute Investments.
- Although the shares are held through nominees I am the beneficial owner of Resolute Investments.
- The directors of Resolute are Ted Tsuru and myself.
- Resolute will work with the new management of Crane Limited to recover its funds from Mr Kalso and any others of his co-conspirators.

In your meeting please emphasise that we have already had co-operation from other members of the press in keeping this matter quiet pending our legal action. In the event that publication by Mr Gillard damages our legal action or hinders the police investigation we will hold him and his newspaper responsible.

Sincerely,

  
S. Hashimoto

TELEPHONE (212) 777 0909

FACSIMILE (212) 727 2747

3016

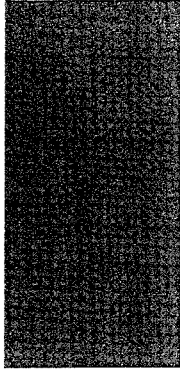
Senate Permanent Subcom  
On Investigations  
EXHIBIT # 58g

**Exhibit 58g.**

**FSA investigation documents**



Financial Services Authority	
Home	<p><a href="#">Publications &gt; Press Releases 1998 &gt; FSA/PN/050/1998</a></p> <p><b>The FSA gains injunctions against Hanover Bank Limited, Winston Allen and Patrick Makosso-Jouvam</b></p> <p><b>FSA/PN/050/1998</b> 24 July 1998</p> <p>The Financial Services Authority (the "FSA") has obtained interim injunctions in the High Court in London from Mr Justice Laddie against Hanover Bank Limited (a company incorporated in Antigua) and two individuals, Winston Allen and Patrick Makosso-Jouvam, who promoted Hanover Bank Limited's business from an office at 22A Ives Street, London SW7 and via an accommodation address - Suite 234, 28 Old Brompton Road, London SW3. The injunctions, granted under section 93(1) of the Banking Act ("the Act"), restrain the defendants from accepting deposits in contravention of the Act, from making fraudulent inducements to make a deposit and from using the name Hanover Bank or any other banking name, or describe themselves as a bank or bankers, in the United Kingdom. The High Court also restrained the individual defendants from promoting or assisting in any way any deposit-taking, lending or other financial or banking activities of Hanover Bank Limited from any premises in the United Kingdom.</p> <p>There will be a further hearing at the High Court on Wednesday 29 July 1998.</p> <p>The FSA is continuing its investigation in co-operation with the Jersey Financial Services Commission and is anxious to speak to any members of the public who have placed money with Hanover Bank Limited or any person claiming to represent it. Calls should be made to the FSA's Statutory Investigations Department on 0171-601 5541 or 0171-601 4522.</p> <p><b>Notes for editors</b></p> <ol style="list-style-type: none"> <li>1. Section 3 of the Act provides that no person shall in the UK accept a deposit in the course of carrying on a deposit-taking business unless authorised to do so by the FSA or unless otherwise exempt under the Act. Any person who contravenes this section is guilty of an offence.</li> <li>2. Section 35 of the Act creates the offence of fraudulent inducement to make a deposit, where a person knowingly or recklessly makes a misleading, false or deceptive statement or conceals facts to induce another to make, or refrain from making, a deposit or to enter into an agreement for that purpose.</li> <li>3. Section 42 of the Act gives the FSA wide powers to require information and documents for the purpose of investigating suspected contraventions of sections 3 and 35 of the Act.</li> <li>4. Section 67 of the Act provides that no person carrying on any business in the United Kingdom may use any name which indicates or may reasonably be understood to indicate that he is a bank or banker or is carrying on a banking business unless he is an authorised institution to which that section relates. Under section 93(1) of the Act, the FSA may apply to</li> </ol>
Who we are	
What we do	
Development	
Industry Resources	
Consumer Help	
Central Register	
Publications	
News and events	
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the Court for an injunction restraining a person suspected of contravening section 3, 35 or 67 of the Act from further contraventions.

5. Section 75 of the Act provides that an overseas institution (as defined) shall not establish a representative office in the United Kingdom, unless it has given at least two months notice to the FSA. A contravention of section 75 of the Act is a criminal offence.

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939  
**Public** FSA Public Enquiry Unit 0845 606 1234  
FSA Publications 020 7676 3298  
FSA Website <http://www.fsa.gov.uk/>



Plaintiff  
P G B WILLSSHER: 1st  
23 July 1998  
Exhibits : PGBW 1-7

IN THE INTENDED ACTION  
IN THE HIGH COURT OF JUSTICE CH 1998 No  
CHANCERY DIVISION

BETWEEN

THE FINANCIAL SERVICES AUTHORITY

Intended Plaintiff

-and-

- (1) THE HANOVER BANK LIMITED  
(a company incorporated in Antigua)
- (2) TERRY WINGROVE
- (3) WINSTON ALLEN
- (4) PATRICK MAKOSSO-JOUVAM

Intended Defendants

---

FIRST AFFIDAVIT OF  
PETER GEOFFREY BRIAN WILLSSHER

---

I, PETER GEOFFREY BRIAN WILLSSHER, of Threadneedle Street,  
London, EC2R 8AH MAKE OATH AND SAY as follows:

### Introduction

1. I am a Manager in the Statutory Investigations Department of the Financial Services Authority (*the FSA*) and am duly authorised to make this Affidavit on behalf of the FSA. Save as otherwise appears, the information deposed to herein is based on information and documents provided to me by officers of the FSA (who are continuing to investigate the matter) and, unless stated otherwise, I believe that information to be true.

### Bank of England Act 1998

2. Pursuant to the Bank of England Act 1998, on 1 June 1998 the FSA assumed certain of the Bank of England's powers and responsibilities under the Banking Act 1987, including its enforcement role in relation to illegal deposit taking.

### The FSA's Application

3. I make this Affidavit in support of the FSA's application:
- (i) for an injunction to restrain the Intended Defendant by its officers, servants or agents from soliciting or accepting deposits, within the meaning of Section 5(1) of the Banking Act 1987 (*the Act*), from any third party in contravention of the Act;

(ii) various other orders preventing the Defendant by its servants, officers or agents making certain statements in relation to its operations; and

(iii) for an injunction to restrain the Defendant by its officers, servants or agents using the name "Hanover Bank Limited" in the United Kingdom, or describe itself or hold itself out as to indicate or reasonably be understood to indicate that it is a bank or banker or is carrying on a banking business.

#### Background

4. Hanover Bank Limited, the Intended Defendant (*Hanover*) is incorporated in Antigua as a bank and has an office at 22A Ives Street, London SW3. Hanover also has an accommodation address at Suite 234, 28 Old Brompton Road, South Kensington, London. Now produced and shown to me and marked "PGBW 1" is a true copy of what I believe to be a Certificate of Incorporation and good standing issued by The Government of Antigua and Bermuda for The Hanover Bank Limited dated 10 January 1996. Now produced and shown to me and marked "PGBW 2" is a true copy of an extract concerning Hanover from the January 1998 edition of the Banking Almanac. The ownership<sup>4</sup> of Hanover is stated in that extract to be 100% in M.A. Fitzpatrick and the total assets are shown to be USD 1,202,252 as at 31 December 1996.

5. Hanover has recently been the subject of an investigation by the FSA which commenced on 7 July 1998 when Mr Jeremy Orme of the FSA was contacted by Mr Gordon Pollock of the Jersey Financial Services Commission (*the Jersey FSC*). During their telephone conversation on that date and a subsequent telephone conversation on 8 July 1998, Mr Pollock informed Mr Orme (amongst other things), that the Jersey FSC had recently been contacted by an individual asking whether Hanover was a Jersey registered bank. Mr Pollock advised Mr Orme that the Jersey FSC had told that individual that Hanover was not in fact a Jersey registered bank.

6. Mr Pollock also informed Mr Orme that Hanover held an account with the Standard Bank, Jersey and that between April and June 1998, a total of USD 17 million had passed through that account from various sources.

#### **The FSA's Investigations**

7. On the basis of the information provided to the FSA by the Jersey FSC, the FSA obtained a warrant under Section 43 of the Act to enter and search Hanover's Ives Street premises and the accommodation address at Old Brompton Road and take possession of, and copy any documents relating to the possible contravention of Section 3 or 35 of the Act. (*The Warrant*). The Warrant was obtained on 20 July 1998 and executed on the morning of 21 July 1998.

8. As a result of the execution of the Warrant, the FSA took possession of a large number of documents, which it wished to review as part of its investigations into potential contraventions by Hanover of Section 3 and/or Section 35 of the Act.

9. Amongst the material seized by the FSA, were a number of brochures in a variety of forms entitled "the Hanover Bank". Now produced and shown to me and marked "PGBW 3" is a true copy of one of those brochures (*the Brochure*). Now produced and shown to me and marked "PGBW 4" is a paginated bundle of some of the other documents that were seized by the FSA on 21 July 1998.

10. The FSA also obtained two computer hard drives and three diskettes which have not yet been reduced to a documentary or readable form.

#### The Brochure

11. Under the heading, "The Hanover Bank Ltd", page 3 of the Brochure provides,

*"... The Bank holds a license to conduct international banking business on the Island of Jersey (Channel Islands)*

*... Operating within the security of Jersey's stringent banking laws and a regulatory system oriented to the international banking community "*

12. Under the heading, "Our Mission", page 3 of the Brochure provides:

*"Our mission is to:*

- Provide guaranteed security for our clients' deposits and investments;*
- Ensure complete privacy and confidentiality of their business transactions;*
- Offer a wide range of services that our clients want and need.*

*To best fulfil their mission, the directors and officers of the bank selected the Island of Jersey's as the Hanover Bank's home.*

.....

#### *Guaranteed Security*

.....

*Beyond Hanover's own strict regulations in Jersey, Jersey's banking law's impose also stiff penalties for the violation of laws relating to the reporting and protection of client assets."*

13. Further, on page 4, the Brochure sets out the services offered by the bank which include,

*"Current Accounts*

*Non-interest bearing deposit accounts from which withdrawals can be made on demand.*

*Certificate of Deposit Accounts*

*Interest bearing deposit accounts of fixed sums from fixed periods, upon which*



*market rates of interest are paid. Subject to minimum amounts and lengths of deposits."*

14. The Brochure also sets out the procedures for opening a "Personal Hanover Bank Ltd High Interest Dollar Account". Steps 4 and 5 of the prescribed procedure is as follows,

*"Step 4: Fax the signed application along with a copy of a passport for each account holder to the bank at their London representative Office (44-171-591-0170).*

*Step 5: If your [sic] making a wire transfer send the funds to:*

*Standard Bank Jersey Limited*

*SWIFT Address: SBIC - JESH*

*SORT CODE#: 40-52-33*

*Beneficiary: The Hanover Bank Limited (Jersey), Acct # 5611602"*

15. I refer to page 2 of the bundle of documents at exhibit PGWB 4 hereto which is a with compliments slip of Hanover Bank which gives the address of the Representative Office as Suite 234, 28 Old Brompton Road, South Kensington and one of the telephone numbers as 44 (01)171-591-0170. I also refer to page 1 of that bundle of documents which is a fax cover sheet on W. Allen & Co letter head. That fax cover sheet states the address of 22A Ives

Street, South Kensington, London, the telephone number as 44 (0) 171 591-0169 and the fax number as 44 (0) 171 591-0170.

16. On 16 July 1998, Mr Stephen Baker, an investigator instructed by the Jersey FSC to investigate Hanover, confirmed to me that Hanover is not registered or licensed to carry out any form of business on the Island of Jersey. I understand from Mr Baker and believe that this means that under Jersey law Hanover cannot accept deposits in Jersey nor carry on banking business there.

17. On 21 July 1998, Stephen Kemp, an officer employed by the FSA, and I interviewed Mr Patrick Makosso-Jouvain (*Makosso-Jouvain*), the Intended Fourth Defendant, at Hanover's Ives Street premises pursuant to Section 42 of the Act. That interview was tape-recorded. Now produced and shown to me marked "PGBW 5" is a true copy of an unchecked draft of the transcript of that interview.

18. As is recorded in the transcript, during the interview, Makosso-Jouvain told me that:

- (a) he was a financial consultant operating out of the offices of 22a Ives Street (pages 2-3);
- (b) he had known Winston Allen (*Allen*), (the Intended Third Defendant) for a short while and Allen had informed him of Hanover's operations (page 4);

- (c) since June 1998, he has been helping Allen obtain new clients for Hanover. He has held himself out as a representative of Hanover (pages 6-7) I also refer to page 15 of the bundle of documents at PGBW 4 hereto which is a copy of a business card which describes Makosso-Jouvam as a "Representative Officer" of Hanover;
- (d) although he expected to receive a commission in connection with the introduction by him of new clients to Hanover (page 15), he had not in fact received any such commissions as no-one he has introduced has yet completed a deposit of funds to Hanover (page 16);
- (e) Mr Terry Wingrove (whom he believed to be the Chairman of Hanover (page 23)), (*Wingrove*), (the Intended Second Defendant) and Allen had told him that Hanover had approximately USD150 million in assets (pages 7-8); This appears to contrast sharply with the stated assets of \$1.2m in the 1996 accounts (see exhibit PGBW 1)
- (f) he is aware that Hanover is not authorised in the United Kingdom (page 21);
- (g) Suite 234, 28 Old Brompton Road is an accommodation address where Allen receives all of his mail and documents. Makosso-Jouvam believes Allen was the person responsible for choosing this address as a mail address for Hanover (page 24);

- (ii) he had met a Mr Consolandi in the Ives premises in connection with Mr Consolandi's intention to open an account with Hanover. Makosso-Jouvam had provided a copy of the Brochure and account opening application forms to Mr Consolandi (pages 13-15). I also refer to pages 21 to 31 of the paginated bundle at PGBW 4 which is a copy of the various account opening application forms counter-signed by Mr Consolandi;
- (i) he had received a fax from Mr Fitzpatrick which suggested that certain persons had acted on behalf of Hanover without authorisation (page 23). In this respect, I refer to page 17 of the bundle of documents at PGBW 4 which is a copy of a facsimile from Fitzpatrick to Allen dated 17 July 1998.

19. Now produced and shown to me and marked "PGBW 6" and "PGBW 7" respectively, are true copies of the following letters:

- a letter from Peter Le Brocq of Standard Bank Jersey to Mr R. Poulden dated 30 June 1998; and
- an undated letter from Fitzpatrick to Peter Le Brocq at Standard Bank Jersey in reply.

These two letters were provided to the FSA by the Jersey FSC.

#### Deposit Taking

22. I refer to page 43 of the bundle of documents at PGBW 4 which is a table which I believe lists new account names opened at Standard Bank, Jersey's

Hanover account. This table suggests that other UK based depositors may have deposited funds with Hanover and may have received a form of the Brochure or other account opening material in prior to the opening of those accounts. At present, the FSA has no evidence that Hanover has accepted deposits in the United Kingdom. No documents were obtained by the FSA upon execution of the Warrant on 21 July 1998 that evidences deposit taking in the UK. However, it is clear that documentation that could be used to induce investors in the UK to deposit funds with Hanover were located at its 22A Ives Street premises.

#### **Authorisation in the UK**

23. Hanover has not been authorised under the Act, or licensed under the Banking Act 1979, to accept deposits. Hanover is not an exempt person within Section 4 of the Act.

24. Furthermore, Hanover has not given the FSA any notice of its intention to establish a representative office in the United Kingdom under Section 75(1) of the Act.

#### **Conclusion**

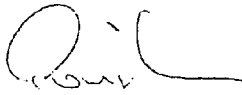
25. Having regard to the information and material referred to in this Affidavit, the FSA is of the view that there has been a contravention of Sections 35, 67(1), 69(1) and 75(1) of the Act by Hanover and unless the Orders sought

3030

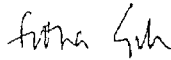
are made, Hanover will continue to contravene these Sections in the immediate future.

26. I therefore respectfully submit that the injunctions and orders sought by the FSA are appropriate in all the circumstances.

SWORN at 6-8 Bowditch St)  
London (City Hall)  
on 23rd July 1998)



Before me



A Solicitor

2095 44E 1210

29-JUL-98 WED 7:39

Plaintiff  
P G B WILLISHER: 2nd  
28 July 1998  
Exhibit : PGBW 8-9

IN THE HIGH COURT OF JUSTICE CH 1998 No F4107  
CHANCERY DIVISION

BETWEEN

THE FINANCIAL SERVICES AUTHORITY

Plaintiff

-and-

- (1) THE HANOVER BANK LIMITED  
(a company incorporated in Antigua)
- (2) TERRY WINGROVE
- (3) WINSTON ALLEN
- (4) PATRICK MAKOSSO-JOUVAM

Defendants

---

SECOND AFFIDAVIT OF  
PETER GEOFFREY BRIAN WILLISHER

---

I, PETER GEOFFREY BRIAN WILLISHER, of Threadneedle Street,  
London, EC2R 8AH MAKE OATH AND SAY as follows:

1. I refer to my First Affidavit in this matter sworn on 23 July 1998 together  
with the exhibits thereto.

2. I am duly authorised to make this Affidavit on behalf of the FSA. Save as otherwise appears, the information deposed to herein is based on information and documents provided to me by Officers of the FSA (who are continuing to investigate the matter) and, unless stated otherwise, I believe that information to be true.

#### **The FSA's Application**

3. I make this Affidavit in support of the FSA's application:

- (i) for a continuation of the Order made by Mr Justice Laddie in this matter made on 23 July 1998, until the date of judgment or further order of the Court;
- (ii) an injunction to restrain the Second Defendant from soliciting or accepting deposits, within the meaning of Section 5(1) of the Banking Act 1987 (the Act), from any third party in contravention of the Act;
- (iii) various other Orders preventing the Second Defendant from making certain misleading, false or deceptive statements in contravention of Section 35 of the Banking Act, in relation to the operations of the First Defendant; and
- (iv) for an injunction to restrain the Second Defendant using the name Hanover Bank Limited in the United Kingdom or describing the First Defendant or holding it out as to indicate or reasonably be understood to



indicate that the First Defendant is a bank or banker or is carrying on a banking business.

4. On 27 July I telephoned Miss Mingle of the Government of Antigua and Barbuda, International Business Corporations (*the IBC*) in Antigua. I understand that the IBC regulates the Financial Industry in Antigua. Miss Mingle informed me that Hanover Bank Limited (*Hanover*) is licensed as a bank by the Government of Antigua and Barbuda to carry on banking business.

#### Application Against the Second Defendant

5. On the basis of the FSA's review of the documents seized on 21 July 1998 pursuant to a search warrant executed under Section 43 of the Act (*the Warrant*), further documentation obtained by the FSA from the Jersey Financial Services Commission (*the Jersey FSC*), and the interview with the Fourth Defendant which Stephen Kemp and I conducted on 21 July 1998, the FSA believes that Mr Wingrove (the Second Defendant) is acting or purporting to act on behalf of Hanover in connection with its operations in the UK and therefore the orders sought in the Notice of Motion against the Second Defendant are appropriate.

6. I refer to and repeat paragraph 18(e) of my First Affidavit and the reference therein page 23 of to Mr Makosso-Jouvam's transcript of interview. In addition to the reference made to Terry Wingrove on that page of the transcript, Makosso-Jouvam made a number of other references to Wingrove's

apparent connection with Hanover and his involvement in its operations in the UK. I refer, in particular, to pages 7, 8, 9, 10, 19 and 20 of the transcript of interview which is at exhibit PGBW 5 to my First Affidavit.

7. Now produced and shown to me and marked "PGBW8" is a true copy of a paginated bundle of some of the documents which were seized by the FSA on 21 July 1998 pursuant to the Warrant. These documents indicate the involvement of Wingrove in Hanover's UK operations, which extends to him acting in accordance with instructions from clients of Hanover, in effecting transfers out of Hanover's account at Standard Bank, Jersey.

8. There is now produced and shown to me and marked "PGBW9" a true copy of a paginated bundle of some of the documents that have been provided to the FSA by the Jersey FSC. The documents at exhibit PGBW9 indicate that Mr Tony Fitzpatrick, the Managing Director of Hanover, acted in accordance with instructions from Mr Wingrove in effecting transfers out of Hanover's account with Standard Bank, Jersey. I refer to page 2 of the bundle of documents at PGBW9 which is a letter, apparently signed by Mr Wingrove, to Tony Fitzpatrick dated 16 April 1998 requesting the transfer of US\$125,000 and US\$80,000 respectively, out of Hanover's account at Standard Bank, Jersey to two branches of Lloyd's Bank. I refer to page 1 of exhibit PGBW8 which is a Promissory Note which is counter-signed by Mr Wingrove. The signature on that Promissory Note appears to be the same as the signature on the letter to Tony Fitzpatrick of 16 April 1998.

9. I refer also to page 1 of PGBW9 which is a facsimile from Mr Fitzpatrick to Miss Lorraine Clark at Standard Bank, Jersey dated 16 April 1998, requesting the transfer of the sums of US\$125,000 and US\$80,000 respectively as detailed in the letter from Mr Wingrove to Mr Fitzpatrick of the same date.

10. Further, pages 3 and 4 of exhibit PGBW9 are what I believe to be internal banking documents of Standard Bank, Jersey which demonstrate that the transfers were carried out by Standard Bank, in accordance with the instructions from Mr Fitzpatrick set out in the facsimile of 16 April 1998.

11. The remaining documents at exhibit PGBW9 are further examples of requests for transfers out of Hanover's Standard Bank, Jersey account made by Mr Wingrove to Mr Fitzpatrick and the subsequent instructions from Mr Fitzpatrick to Lorraine Clark at Standard Bank, Jersey to effect the movement on Hanover's account.

#### Other Documentation

12. I refer to paragraph 10 of my First Affidavit. The two computer hard drives and three diskettes have not yet been reduced to a readable form. The FSA expects to access this material on 30 July 1998.

#### Conclusion

13. Having regard to the information and material referred to in this and my First Affidavit, the FSA is of the view that there has been a contravention of

P 11

0171 344 5602

29-JUL-98 WED 7:41

Sections 35, 67(1), 69(1) and 75(1) of the Act by the Defendants and unless the Orders sought are made, the Defendants will continue to contravene these Sections in the immediate future.

14. I therefore respectfully submit that the Injunctions and Orders sought by the FSA are appropriate in all the circumstances.

SWORN at

on

28<sup>th</sup> July

1998

Before me

*[Signature]*

*[Signature]*

BERNARD LEE HAWER  
SALISBURY HOUSE  
100 HIGH STREET  
LONDON EC2A 4DF

A Solicitor

22-FEB-99 MON 17:48

P. 1



Issued from Dublin, July 25, 1998.

Via fax

Mr Richard O'Dell Poulden,  
Tibbiwell House, Painswick,  
Glos.

Dear Richard,

**Re: The Hanover Bank Limited.**

I write to advise you that the bank has been accused of some serious offences and will inevitably become involved in litigation before the courts in London.

The problem arose with the issue of a marketing brochure which, unfortunately, had the appearance of being issued by The Hanover Bank Limited. The brochure claimed that Hanover was licensed to conduct banking business in Jersey—untrue—and that it operated from a "representative office" in London—again, untrue. Needless to say, the bank never issued such a document, nor did it authorise anyone else to do so.

Someone who received a copy of this brochure notified the banking authorities in Jersey who, in turn, advised the Financial Services Authority (FSA) in London. As a result, the FSA initiated a civil court action in London during the week and obtained an injunction to restrain the bank and certain individuals from soliciting deposits in the UK.

Only one of these individuals is known to the bank, as a customer of the bank. The two other men appear to be brokers who are known to our customer. They have openly admitted, in the course of several telephone conversations with a bank officer, that it was they who issued the brochure and they admit that they did so without prior reference to any officer of the bank. They say, naively, that they *assumed* Hanover was licensed in Jersey because we had an account there (with Standard Bank Jersey). They also say that the reference in the brochure to *their* London office being Hanover's *representative* office was also done innocently without realising the implications of making such a statement. From what we can gather, our customer had told them that, through Hanover, he could arrange offshore bank accounts for their clients and that the bank would pay a commission on any business introduced. Again, the bank had absolutely no knowledge of this.

22-FEB-99 MON 17:49

P. 2

Page 2

In their stupidity, these people have placed the bank in a very difficult position. Fortunately, there is no evidence so far that they actually took any money from anyone on the basis of the brochure they issued. However, we are now having to prove to the authorities in London and Jersey that we had no hand, act, or part in what these people were doing. They are providing us with statements which will clearly show that they acted independently and without our knowledge or approval.

The bank has notified the Jersey Banking Commission and Standard Bank Jersey of the situation, and the FSA has been copied with relevant correspondence. The matter has been referred to the bank's London solicitors who will take appropriate action in the matter. We intend to sue the people concerned for gross misrepresentation. I will, of course, keep you apprised of further developments.

Yours sincerely,



**M.A. FITZPATRICK**  
Managing Director

22-FEB-99 MON 17:50  
19/12 '98 FRI 18:26 FAX 0171 925 2330

P. 3  
www

INFOPLUS.XMP Screen Capture 18/12/98 14:04:00

Mr Allen and Mr Makosso-Jouvam operated from offices at 22a St Ives Street in London and through an accommodation address at 28 Old Brompton Road. Copyright Financial Times Limited 1998. All Rights Reserved. Not Available for Re-distribution.

Financial Times. Financial Times, 25/07/98, Page 7.

FT FTFT 25/07/98 07

TL Country: UK United Kingdom.

UR2 WEURZ BUR2 EBCE EURKAL OECD NATO COMWEX UNZ GFVSEZ  
GSEVEXZ

TL Industry: 181402 Banks & discount houses.

Categories: C12 Legal/Judicial C13 Regulation/Policy.

Reuter Textline

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6\*\*24 Jul 1998 THE FSA GAINS INJUNCTIONS AGAINST HANOVER BANK LIMITED.  
WINSTON - ALLEN AND PATRICK MAKOSSO-JOUVAM: HERMES - UK  
GOVERNMENT PRESS RELEASES Reuter Textline (Q2:51)

DATE OF ISSUE: 24/07/98

The Financial Services Authority (the 'FSA') has obtained interim injunctions in the High Court in London from Mr Justice Laddie against HANOVER BANK Limited (a company incorporated in Antigua) and two individuals, Winston Allen and Patrick Makosso-Jouvam, who promoted HANOVER BANK Limited's business from an office at 22a Ives Street, London SW7 and via an accommodation address - Suite 234, 28 Old Brompton Road, London SW3. The injunctions, granted under section 93(1) of the Banking Act ('the Act'), restrain the defendants from accepting deposits in contravention of the Act, from making fraudulent inducements to make a deposit and from using the name HANOVER BANK or any other banking name, or describe themselves as a BANK or bankers, in the United Kingdom. The High Court also restrained the individual defendants from promoting or assisting in any way any deposit-taking, lending or other financial or banking activities of HANOVER BANK Limited from any premises in the United Kingdom. There will be a further hearing at the High Court on Wednesday 29 July 1998. The FSA is continuing its investigation in co-operation with the Jersey Financial Services Commission and is anxious to speak to any members of the public who have placed money with HANOVER BANK Limited or any person claiming to represent it. Calls should be made to the FSA's Statutory Investigations Department on 0171-601 5541 or 0171-601 4522.

NOTES TO EDITORS

1. Section 3 of the Act provides that no person shall in the UK accept a deposit in the course of carrying on a deposit-taking business unless authorised to do so by the FSA or unless otherwise exempt under the Act. Any person who contravenes this section is guilty of an offence.
2. Section 35 of the Act creates the offence of fraudulent inducement to make a deposit, where a person knowingly or recklessly makes a misleading, false or deceptive statement or conceals facts to induce another to make, or refrain from making, a deposit or to enter into an agreement for that purpose.
3. Section 42 of the Act gives the FSA wide powers to require information and documents for the purpose of investigating suspected contraventions of sections 3 and 35 of the Act.
4. Section 67 of the Act provides that no person carrying on any business in the United Kingdom may use any name which indicates or may reasonably be understood to indicate that he is a BANK or banker or is carrying on a banking business unless he is an authorised institution to which that section relates. Under section 93(1) of the Act, the FSA may apply to the court for an injunction restraining a person suspected of contravening section 3, 35 or 67 of the Act from further contraventions.

Page 3

18-DEC-98 FRI 18:12

0171 925 2330

P. 3

22-FEB-99 MON 17:51  
18/12 '98 FRI 18:20 FAX 0171 925 2330

P. 4  
MAY

INFOPLUS.XWP Screen Capture 18/12/98 14:04:00

S. Section 75 of the Act provides that an overseas institution (as defined) shall not establish a representative office in the United Kingdom, unless it has given at least two months notice to the FSA. A contravention of section 75 of the Act is a criminal offence.

#### ENQUIRIES

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UKPR 24/07/98

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P.02/02

## Hanover Bank Limited

**FSA**

On 26 November 1998, pursuant to the Order of Mr Justice Lloyd, and upon Hanover Bank giving permanent undertakings to the Court not to contravene sections 3, 35, 67 and 75 of the Banking Act 1987, the Financial Services Authority discharged the injunctions obtained against Hanover Bank Limited on 29 July 1998 and stayed the proceedings with no order as to costs.

[ [1998 Press Releases](#) ] [ [Press Releases](#) ] [ [FSA Internet Home Page](#) ]

22-725-99 MON 17:51

2, 5

## PRESS RELEASE

Issued by The Hanover Bank Limited, November 26, 1998.

The Hanover Bank Limited has been released from a High Court injunction obtained by the Financial Services Authority (FSA) which restrained it and three named individuals from taking deposits in the UK.

The release was granted by Mr Justice Lloyd today with the consent of the FSA. Under the terms of the order, the bank gave an undertaking not to carry on banking business in the UK.

The injunction was granted in July following a report that the bank, which is licensed in Antigua, West Indies, was attempting to raise funds in Britain without Bank of England approval.

The Hanover Bank told the FSA that it was unaware of any activities carried out in the UK purportedly in its name, and insisted that none of the individuals named by the FSA was authorised to act on behalf of the bank. These individuals are still the subject of the original restraining order.

Mr Tony Fitzpatrick, Hanover's managing director, said today: "The bank has co-operated fully with the FSA's inquiries. I am delighted the FSA has accepted that the bank was not involved in any wrongdoing. The bank is fully aware of the UK banking regulations and in accepting the terms of the consent order we made it clear that at no time have we breached them."

He added: "I understand the FSA's inquiries into the activities of the people named in the original injunction are continuing. While these people may have used the bank's name I am not aware that they managed to convince anyone to part with their money."

Ends

For further information please call Mr Fitzpatrick on 00-353-1-2959433 or 00-353-872449186 (mobile).

3043

Senate Permanent Subcommittee  
On Investigations  
EXHIBIT # 58h

**Exhibit 58h.**

**Unanswered information request to  
Richard O'Dell Poulden**

3044

FRED THOMPSON, TENNESSEE, CHAIRMAN  
WILLIAM V. ROTH, JR., DELAWARE  
TED STEVENS, ALASKA  
SUZAN M. COLLINS, MAINE  
GEORGE V. VONNOVICH, OHIO  
PETE V. DOMENICI, NEW MEXICO  
THAD COCHRAN, MISSISSIPPI  
ARLEN SPECTER, PENNSYLVANIA  
JUDY GREGG, NEW HAMPSHIRE  
JOSEPH I. LIEBERMAN, CONNECTICUT  
CARL LEVIN, MICHIGAN  
DANIEL K. AKAKA, HAWAII  
RICHARD J. DURBIN, ILLINOIS  
ROBERT C. TORRICELLI, NEW JERSEY  
MAX CLELAND, GEORGIA  
JOHN EDWARDS, NORTH CAROLINA  
HANNAH S. SEXTARE, STAFF DIRECTOR AND COUNSEL  
JOYCE A. REUTSCHAPFEN, MINORITY STAFF DIRECTOR AND COUNSEL

United States Senate

COMMITTEE ON  
GOVERNMENTAL AFFAIRS  
WASHINGTON, DC 20510-6250

September 22, 2000

Mr. L. Braunstein  
Braunstein & Co.  
6 Leeward House  
Plantation Wharf, London, SW11 3TX  
England

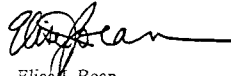
Sent By Fax to 011-44-207-495-3949

Dear Mr. Braunstein:

In response to your letter dated August 22, 2000, in which you indicate that your client, Mr. Richard O'Dell Poulten, is unwilling to participate in an informal interview about Hanover Bank by staff members of the U.S. Senate Permanent Subcommittee on Investigations, but would respond to written questions, please find attached a list of questions about the bank. As indicated earlier, we are also interested in receiving any documentation in Mr. Poulten's possession or control that you feel the Subcommittee should have to ensure an accurate and complete understanding of these matters. Please send Mr. Poulten's answers and any documents to my attention at the U.S. Senate Permanent Subcommittee on Investigations, 193 Russell Senate Office Building, Washington, D.C. 20510, or fax them to my attention at (202) 224-1972.

Thank you for your assistance in this matter. We would appreciate receiving the requested information by October 5, 2000. I can also be reached by telephone at (202) 224-9505; or by email at [elise\\_bean@govt-aff.senate.gov](mailto:elise_bean@govt-aff.senate.gov).

Sincerely,



Elise J. Bean  
Deputy Chief Counsel to the Minority  
Permanent Subcommittee on Investigations

Attachment

cc: Rena Johnson, Acting Subcommittee Staff Director and Chief Counsel

9/22/00

**QUESTIONS TO RICHARD O'DELL POULDEN  
REGARDING HANOVER BANK**

- (1) Please describe your role in obtaining a 1992 banking license for Hanover Bank from the Government of Antigua and Barbuda, and serving as an initial director and shareholder of Hanover Bank Ltd. and as an initial director of Hanover Nominees Ltd. Please describe the role of Michael Anthony ("Tony") Fitzpatrick in these matters.
- (2) Please identify all of Hanover Bank's shareholders at the time you were a shareholder in 1992, and approximately how many shares were held by each shareholder.
- (3) Please indicate the total amount of startup capital obtained for Hanover Bank in 1992, and identify the amounts contributed by you, Mr. Fitzpatrick, or other persons.
- (4) Please describe your efforts in 1993 to open correspondent accounts and conduct banking activities on behalf of Hanover Bank and conduct activities on behalf of Hanover Nominees Ltd.
- (5) Please describe the events related to Clerical Medical International and the transfer of £20 million to a Hanover Bank correspondent account at Lombard National Westminster Bank in Cyprus, including subsequent inquiries into this matter in the United Kingdom and Cyprus.
- (6) Please explain your decision in 1993 to disassociate yourself from Hanover Bank and Hanover Nominees Ltd. Please provide copies of any resignation letters.
- (7) Please describe how you disposed of your shares in Hanover Bank, including to whom you transferred them, the compensation you received if any, and how and when 100% of Hanover Bank's shares came into the possession of Mr. Fitzpatrick. Please describe your interactions with the Government of Antigua and Barbuda in this matter, including whether you obtained prior government approval for the transfer of your bank shares. Please provide copies of relevant documentation.
- (8) Please describe your efforts in 1998 to negotiate the purchase of Hanover Bank, including the persons on behalf of whom you were negotiating and the role of Theodore Tsuru. Please provide copies of relevant documentation.
- (9) Please describe any steps you took in 1998 to become a part owner of Hanover Bank, including any ownership interest you had in Societe Suisse S.A. which made a \$20,000 payment in April 1998 in connection with the proposed purchase of Hanover Bank.
- (10) Please describe why you sought and were initially appointed in 1998 as a director and Chairman of the Board of Hanover Bank.
- (11) Please describe why you sought and obtained an initial appointment in 1998 of Mr. Tsuru as a director of Hanover Bank.

Questions to Richard O'Dell Poulden  
Regarding Hanover Bank  
Page Two

(12) Please describe your efforts in 1998 to open a correspondent account for Hanover Bank at Standard Bank in Jersey, including whom you spoke with at Standard Bank and what discussion, if any, took place regarding the 1993 Clerical Medical International incident.

(13) Please describe any interactions you have had with Harris Bank International in New York which maintains correspondent accounts for Standard Bank in Jersey. Please provide copies of any communications with Harris Bank.

(14) Please describe your impressions of Hanover Bank's operations in 1998, including its client base, operating systems, management and staff.

(15) Please describe your actions in 1998 to open Hanover Bank accounts for new clients, including specifying how many accounts you opened and for whom. Please describe what due diligence you performed regarding prospective clients prior to opening an account for them. Please respond to the statement that you opened new accounts at Hanover Bank without completing any account opening documentation and without obtaining written documentation establishing who had signatory authority over a specific account. Please provide copies of any account opening documentation for accounts you opened at Hanover Bank.

(16) Please describe your role in 1998 in authorizing the wire transfer of funds from Hanover Bank's correspondent accounts at Standard Bank. Please respond to the statement that you initiated all wire transfer instructions withdrawing funds from Hanover Bank's correspondent accounts involving transfers associated with Mr. Tsuru, Yoshiki Doi, Takuma Abe, Morgan Steepleton Investment & Securities S.A., and Braunstein & Co.

(17) Please describe your actions in 1998 to conduct other banking activities involving Hanover Bank, including preparing account statements for Mr. Doi and Terrence Wingrove, and preparing a letter for Mr. Doi indicating his Hanover account balance was \$16.5 million. Please explain the basis for the Doi letter. Please provide a copy of the Doi account statement.

(18) Please describe any loan, letter of credit, mortgage or other type of credit extended by Hanover Bank in 1998, including identifying the type of credit involved, to whom the credit was extended, the amount of credit extended, and the Hanover Bank official who authorized it.

(19) Please describe your relationship to and interactions with Mr. Wingrove and Mr. Doi, each of whom deposited substantial sums and conducted a number of transactions through their accounts at Hanover Bank in 1998.

(20) Please describe your understanding, if any, of how allegedly illegal funds, which are the subject of criminal proceedings in United States v. Koop, United States v. Cabe and United States v. Wingrove and civil proceedings in the United States and elsewhere, came to be

Questions to Richard O'Dell Poulden  
Regarding Hanover Bank  
Page Three

deposited into Hanover Bank's correspondent accounts at Standard Bank; how Hanover Bank became aware of suspicious activity involving these funds; and what actions it has taken in these matters. Please provide copies of any relevant documentation.

(21) Please describe your understanding, if any, of how allegedly illegal funds, which are the subject of civil and criminal proceedings in Casio Computer Co. v. Sayo in the United States, United Kingdom, Japan and elsewhere and several of which name Mr. Tsuru as a key defendant, came to be deposited into Hanover Bank's correspondent accounts at Standard Bank; how Hanover Bank became aware of suspicious activity involving these funds; and what actions it has taken in these matters. Please provide copies of any relevant documentation.

(22) Please explain the circumstances under which:

- (a) \$2.475 million was deposited in April 1998 into Hanover Bank's correspondent account at Standard Bank in Jersey ("Hanover account") and credited to the Doi account at Hanover Bank;
- (b) \$150,000 was withdrawn in April 1998 from the Hanover account and sent to a Doi account at Sakura Bank in Japan;
- (c) \$190,000 was deposited in April 1998 into the Hanover account, to benefit a joint account at Hanover Bank for Mr. Tsuru and Mr. Abe;
- (d) \$400,000 was withdrawn in May 1998 from the Hanover account and sent to a Bank of New York account for CIBA Oppenheimer & Co. to benefit Mr. Tsuru and Mr. Abe;
- (e) \$100,000 was withdrawn in June 1998 from the Hanover account and sent to a Doi account at Credit Lyonnais bank in New York; and
- (f) \$10 million was deposited in June 1998 into the Hanover account by Tatsuya Omura and withdrawn about 2 weeks later at the direction of Morgan Steepleton Investment and Securities S.A. and sent to a Morgan Steepleton account at Credit Lyonnais bank in New York.

For each transaction, please include an identification of the parties involved in depositing or withdrawing the funds; a description of the affected account, including who had signatory authority over the account; your understanding of the transaction and source of the funds; your role in authorizing or facilitating the transaction; and whether any concerns arose regarding suspicious activity. Please provide copies of any relevant documentation.

Questions to Richard O'Dell Poulden  
Regarding Hanover Bank  
Page Four

(23) Please describe any Hanover Bank interactions with British Trade and Commerce Bank (BTCB) of Dominica, and your understanding, if any, of how an account for "Hanover B Ltd." was opened at BTCB by Mr. Koop and characterized by him as a BTCB correspondent account for Hanover Bank.

(24) Please describe your understanding, if any, of how individuals who were not Hanover Bank officials or employees purported to open Hanover Bank accounts in 1998, including how Hanover Bank learned of these activities and what actions Hanover Bank took in response.

(25) Please explain the circumstances under which:

(a) \$300,000 was transferred in April 1998 from Hanover Bank's correspondent account at Standard Bank into an account for Anglo Gulf Energy Inc. at Texas Commerce Bank in the United States, and describe your relationship to Anglo Gulf Energy Inc.; and

(b) £135,000 was transferred in April 1998 from Hanover Bank's correspondent account at Standard Bank into an account for Braunstein & Co. in the United Kingdom.

(26) Please describe why Standard Bank closed the Hanover Bank correspondent account in late 1998 or early 1999. Please indicate whether you engaged in a dispute with Mr. Fitzpatrick over the transfer of the funds, how that dispute was resolved, and what happened to the funds. Please provide copies of relevant documentation.

(27) Please provide any other information that you feel the Subcommittee should have to ensure an accurate and complete understanding of these matters.



**EXHIBIT NO. 59**  
**Documents related to**  
**BRITISH BANK OF LATIN AMERICA**  
**(Case Study No. 6):**

- 59a. British Bank of Latin America general documents
- 59b. Bank of New York documents
- 59c. 1999 and 2000 National Money Laundering Strategy excerpts
- 59d. Operation Casablanca and Operation Juno documents
- 59e. SEALED EXHIBIT: Proprietary information from British Bank of Latin America

3050

Senate Permanent Subcommittee  
On Investigations  
EXHIBIT # 59a

**Exhibit 59a.**

**British Bank of Latin America general documents**

3051

Search - 1 Result - British Bank of Latin America

<http://www.lexis.com/research/retr...5-c8e72e9ccdaf16124c2e89db5c5ca41d>

Source: [All Sources : Company & Financial : Company Profiles & Directories : The Bankers' Almanac](#)  
Terms: [british bank of latin america](#) ([Edit Search](#))

*The Bankers' Almanac British Bank of Latin America*

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The Bankers' Almanac

**British Bank of Latin America**

PO Box N-1262, Nassau, Bahamas

Tel: +1 242 3228719 Fax: +1 242 3228719

**LENGTH:** 11 words

**LOAD-DATE:** February 23, 2000

Source: [All Sources : Company & Financial : Company Profiles & Directories : The Bankers' Almanac](#)  
Terms: [british bank of latin america](#) ([Edit Search](#))  
View: KWIC  
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3052



COMMONWEALTH OF THE BAHAMAS

NO .....  
IN REPLYING PLEASE  
QUOTE THIS NUMBER

MINISTER OF FINANCE

P.O. BOX N-3017  
TELE: 20255  
FAX: 322-1474  
NASSAU, BAHAMAS


L I C E N C E

BRITISH BANK OF LATIN AMERICA LIMITED

Pursuant to Section 4 of The Banks and Trust Companies Regulation Act, Chapter 287, British Bank of Latin America Limited is hereby granted a licence to carry on banking business from within the Commonwealth of The Bahamas subject to the terms and conditions specified in that Act and in The Banks Act, Chapter 285.

This licence replaces that issued to Banco Anglo Colombiano (Nassau) Limited on 9th November, 1981 and takes effect from 14th March, 1994.

GRANTED this 23<sup>rd</sup> day of August A.D. 1994

  
MINISTER OF FINANCE

3053

British Bank of  
Latin America Limited  
Associated with Lloyds Bank Plc

**URGENT**

**FACSIMILE MESSAGE**

FROM: British Bank of Latin America Limited  
TO: Mr. Scott Donald  
Room 379  
DATE: March 30/00  
SUBJECT: LICENCIA DE FUNCIONAMIENTO B.B.L.A. POR  
SUPERINTENDENCIA BANCARIA  
PAGES: 2 (i)

Dear Mr. Donald:

According to your requirement, we are sending a copy of the subject.

Trusfly yours,

ANA MARIA FORERO  
Secretary

**BRITISH BANK OF LATIN AMERICA LIMITED**

Head Office:  
Bolem House  
King & George Streets  
Nassau, Bahamas

Representative Office  
P.O. Box 12065  
Camera 7 N° 71-21 5° Floor  
Santa Fe de Bogotá D.C., Colombia  
Tel.: (571) 317 36 07  
Fax: (571) 317 36 29

**SUPERINTENDENCIA BANCARIA**  
SANTA FE DE BOGOTÁ, D. C.

**EL SUSCRITO SECRETARIO GENERAL**

En uso de las facultades que le confiere el artículo 326, numeral 6, literal a) del Estatuto Orgánico del Sistema Financiero,

**C E R T I F I C A :**

PRIMERO: Que el BANCO ANGLO COLOMBIANO NASSAU LIMITED hoy BRITISH BANK OF LATIN AMERICA LIMITED (B.B.L.A.) con domicilio principal en la ciudad de NASSAU-BAHAMAS, tiene una oficina de Representación en Colombia; SEGUNDO: Que mediante resolución No.839 del 6 de marzo de 1987, esta Superintendencia renovó con término indefinido el permiso de funcionamiento a la citada oficina, resolución que se encuentra vigente a la fecha; TERCERO: Que los doctores MARTHA CECILIA PATIÑO JIMENEZ con número de identificación 4156955 y JUAN CARLOS HOYOS MARTINEZ con número de identificación 79312568, ejercen los cargos de REPRESENTANTE y REPRESENTANTE SUPLENTE para Colombia de la citada Entidad, cargos para los cuales tomaron posesión el 5 de agosto de 1994, respectivamente.

Santa Fe de Bogotá D.C. Enero 12 de 1995

  
LUIS FERNANDO LOPEZ GARAVITO  
SECRETARIO GENERAL

3055

CURTIS, MALLET-PREVOST, COLT & MOSLE LLP

ATTORNEYS AND COUNSELLORS AT LAW		
101 PARK AVENUE		
NEW YORK, NEW YORK 10178-0061		
FRANKFURT	MUSCAT	TELEPHONE 212-696-6000
HOUSTON	NEWARK	FACSIMILE 212-697-1559
LONDON	PARIS	VOICE MAIL 212-696-6028
MEXICO CITY	STAMFORD	E-MAIL INFO@CMP.COM
MILAN	WASHINGTON	INTERNET WWW.CMP.COM
		WRITER'S DIRECT:
		TELEPHONE 212-696-6196
		E-MAIL JP122URRD@CMP.COM
		FACSIMILE 212-696-6620

March 9, 2000

VIA FEDERAL EXPRESS

The Honorable Carl Levin  
Ranking Minority Member  
United States Senate  
Permanent Subcommittee on Investigations  
Committee on Governmental Affairs  
193 Russell Senate Office Building  
Washington, D.C. 20510

Re: British Bank of Latin America

Dear Senator Levin:

Pursuant to your letter dated February 24, 2000, the following responses are submitted on behalf of British Bank of Latin America ("BBLA").

Question:

1. Please provide any brochures, annual reports, or similar material providing general descriptive information about BBLA.

Response:

We attach the most recent audited financial statements as of December 31, 1998 prepared by KPMG. BBLA does not produce brochures or any kind of publicity material.

Question:

2. Please provide as of 12/31/99, using approximate numbers, BBLA's total assets, total number of employees, total number of clients, and total number of accounts.

Response:

Total assets	US\$ 26 million
Employees	8
Clients	85
Accounts	90

Question:

3. In each country in which BBLA has an office, please provide the street address and telephone number for BBLA's primary office.

Response:

Bahamas Head Office:

King & George Streets  
Nassau  
Bahamas  
(1 242) 356-6726

Colombia Representative Office:

Carrera 7 71-21 Torre B Oficina 605  
Bogota  
Colombia  
(57 1) 317-3607



**Question:**

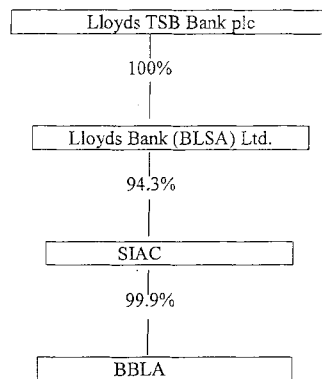
4. Please provide a detailed description of BBLA's ownership history, including identifying the original and subsequent nominal and beneficial owners of the bank from its date of inception to the present, and the total number of shares held by each owner over time. Please include a description of BBLA's relationship to Lloyds TSB, Lloyd's of London, or any related entity (hereinafter "Lloyds"), including when, why and from whom Lloyds acquired an ownership interest in BBLA, how many BBLA shares Lloyds holds currently, and how Lloyds' ownership interest has changed over time.

**Response:**

Banco Anglo Colombiano S.A. (today denominated Banco Anglo S.A.) was the sole owner and shareholder in Banco Anglo Colombiano (Nassau) Ltd. from October 1, 1981 until June 29, 1993. On that date, Banco Anglo Colombiano sold its entire shareholding in the Bahamas bank to the Sociedad Inversionista Anglo Colombiano S.A. (SIAC), a Colombia-based holding company. As a result of this transaction, Banco Anglo Colombiano (Nassau) Ltd. changed its name to British Bank of Latin America Ltd. (BBLA) and since then has been 99.99% owned by SIAC. The remaining interest in BBLA is held by four individuals, each owning one nominal share. They are Delores C. Munnings, Victoria P. Gonzalez, Samuel P. Haven and Graham Dykes.

SIAC is owned 94.3% by Lloyds Bank (BLSA) Ltd. which is a wholly owned subsidiary of Lloyds TSB Bank plc of the United Kingdom. (Lloyds TSB Bank plc also directly owns a small equity stake in SIAC). Lloyds Bank (BLSA) Ltd. originally held a 49.3% interest in SIAC, but this interest increased to 57.6% as of December 31, 1998, and increased again to its present level as of December 31, 1999.

Therefore, the ownership in BBLA is as follows:



**Question:**

5. Please identify BBLA's current directors and chief executive officer, and any association each of these persons may have with Lloyds.

**Response:**

BBLA's current directors are as follows:

David G. Nicoll  
Abraham Butler  
Peter Bridgewater

Mr. Nicoll is the Managing Director.

Mr. Nicoll is an international executive with the Lloyds TSB Group and Messrs. Butler and Bridgewater are executives of Lloyds TSB Bank International (Bahamas) Ltd.

**Question:**

6. Please identify each country which has issued a license to BBLA to conduct business as a bank, provide a copy of the license, and for each license describe any restriction placed on BBLA activities or deposits within the licensing jurisdiction such as a requirement to operate offshore.

**Response:**

BBLA was originally authorized to carry on banking business from within the Commonwealth of The Bahamas by way of license issued by the Minister of Finance on August 23, 1994, taking effect from March 14, 1994. A copy is attached. This license replaced that issued to Banco Anglo Colombiano (Nassau) Ltd. on November 9, 1981.

Additionally, Banco Anglo Colombiano (Nassau) Ltd. had been authorized to open a Representative Office in Colombia by way of Resolution 0250 dated January 21, 1983 issued by the Banking Superintendency of that country. Under Resolution 0839 of March 6, 1987, issued by the same regulatory body, that authorization was renewed without expiry.

This means that BBLA does not operate in Colombia as a bank and therefore may not undertake in that jurisdiction those operations which may be classified as normal banking business.

**Question:**

7. Please describe BBLA's major lines of business, including whether BBLA considers itself a private bank, and whether acceptance of U.S. dollar deposits from residents of Colombia constitutes its primary line of business. Please describe any ongoing business interactions between BBLA and Lloyds, aside from Lloyds' ongoing ownership interest in BBLA.

Response:

BBLA's principal line of business has always been the provision of various types of foreign currency financing to major corporate customers, including multinationals, of the Lloyds TSB and Banco Anglo group in Colombia. Particular product lines included:

- Direct payment finance for imports
- Post-availment finance of imports under letters of credit
- Discount of export bills
- Pre-finance of coffee exports
- Working capital finance
- International leasing

The majority of the funding required for BBLA's corporate lending activities listed above was obtained by way of credit lines from branches of the Lloyds TSB Group and from various correspondent banks. Several years ago, the law in Colombia was changed to allow Colombian citizens to deposit funds abroad. At that time BBLA extended its source of funding by taking deposits from Colombian nationals. Those deposits are maintained in the Bahamas. However, those deposits never came to represent the bank's principal source of funds.

In late 1999, Lloyds TSB Group began to wind down the operational activity of BBLA. All loan assets were transferred to other Lloyds TSB branches while depositing customers were offered the option to transfer their accounts to other Lloyds TSB branches or to close their accounts. Credit lines from correspondent banks were repaid.

Currently, the only ongoing business interaction between BBLA and Lloyds TSB consists of some short-term placement of funds by

BBLA with Lloyds in Miami and Panama until such time as all customer accounts still held by BBLA have been closed. This is expected to take place by the end of March 2000.

**Question:**

8. Please indicate the date on which BBLA opened a correspondent account with the Bank of New York (BONY) and the key BONY employees with whom BBLA dealt. Please identify all other correspondent banks with which BBLA has had a correspondent account during the period January 1, 1995 to December 31, 1999, and the current status of those accounts.

**Response:**

The account with the Bank of New York was established on October 25, 1985. The account officers who handle the BBLA account at BONY are Elsa Torres and Ines Bernal. During the period from January 1, 1995 to December 31, 1999, BBLA held accounts at Bankers Trust, Citibank, Barclays Bank and Bank of America, all of which are closed.

**Question:**

9. Please describe BBLA's anti-money laundering efforts, including how it screens new clients and monitors client transactions, and provide copies of any written anti-money laundering procedures, guidelines or policies.

**Response:**

We attach a copy of BBLA's guidelines and procedures to counter money laundering and to screen clients ("Know your Customer" practices).

**Question:**

10. Please describe BBLA's understanding, if any, of how \$1.5 million in alleged drug proceeds were deposited into its correspondent account, whether it is aware of any suspicious activity involving these funds, and why it is contesting the forfeiture action.

Response:

The \$1.5 million presently subject to seizure in the action pending in the United States District Court for the District of Columbia was deposited with BBLA by five different account holders at various different times. One deposit was made in or about December 1995, five deposits were made in December of 1997, and one was made in March 1998. Each deposit at issue was a dollar deposit. At the time, Colombian law permitted Colombian nationals to make deposits abroad in foreign currency. In addition, the law permitted Colombian nationals to make those investments with foreign currency that had not been obtained through the country's foreign exchange markets.

The source of the dollars deposited was an account at Bank of America in San Francisco, a major U.S. banking institution. Prior to the time the deposits were made BBLA had adhered to its existing procedures applied to clients relating to their source(s) of funds, and the anticipated scope of their banking activities with BBLA. Because BBLA does not engage in any foreign currency exchange transactions, the dollars were transferred directly from Bank of America to BBLA's correspondent account at the Bank of New York. BBLA assumed that the U.S. institutions transferring the dollars would have conducted adequate investigations to ensure the legitimacy of the source of the funds that they held and transferred to BBLA. Thus, the deposits did not raise any suspicions at the time they were made. When the funds were received, BBLA made accounting entries on its books in the Bahamas, crediting its clients' accounts with the appropriate amount of each deposit.

BBLA is contesting the forfeiture of the funds in its correspondent account for several reasons. Initially it should be noted that the same funds have already been seized by the authorities in the Bahamas. Each of the client accounts at issue in the U.S. proceeding has been frozen in the Bahamas by the Bahamian authorities, at the behest of the U.S. Government, and is subject to ongoing forfeiture proceedings under Bahamian law. As a Bahamian bank, BBLA will be obliged to pay over the funds to its account holders if ordered to do so by a Bahamian Court at the conclusion of those proceedings. Despite the pendency of those proceedings, the same dollar amount (\$1.5 million) was subsequently seized in BBLA's correspondent account at Bank of

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CURTIS, MALLET-PREVOST, COLT & MOSLE LLP  
ATTORNEYS AND COUNSELLORS AT LAW

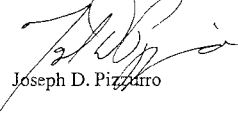
Page 9

Senator Carl Levin  
March 9, 2000

New York by the Department of Justice and is now the subject of the U.S. forfeiture proceedings. As a result, BBLA could be subject to double liability, being ordered to pay the funds to its account holders in the Bahamas and also having those funds subject to forfeiture in the United States.

In addition, the forfeiture action instituted by the Department of Justice violates applicable law. BBLA has and will continue to contest the forfeiture proceedings in the District Court and pursue its statutory defenses, including but not limited to the fact that the U.S. proceedings are time barred.

Respectfully submitted,



Joseph D. Pizzarro

Enc.

Financial Statements of

**British Bank of Latin  
America Limited**

Year ended December 31, 1998



**British Bank of Latin America Limited**

Financial Statements

Year ended December 31, 1998

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Statement of Operations and Retained Earnings	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 10



## Chartered Accountants

P.O. Box N. 123  
Centreville House  
Collins Avenue  
Nassau, Bahamas

Telephone (242) 322-8551  
Fax (242) 326-5622

## AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the accompanying balance sheet of British Bank of Latin America Limited ("the Bank") as of December 31, 1998, and the related statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 1998 and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

Chartered Accountants

Nassau, Bahamas  
March 20, 1999



Member Firm of KPMG International

G. P. Cleare  
L. D. Longley

D. P. Hamilton  
J. M. Lopez

T. E. Knowles  
A. J. Treco

# British Bank of Latin America Limited

## Balance Sheet

December 31, 1998, with comparative figures for 1997  
(Expressed in United States dollars)

	1998	1997
<b>Assets</b>		
Cash and due from banks: (notes 2 and 6)		
Demand	\$ 787,952	576,213
Time	1,850,000	5,050,000
	2,637,952	5,626,213
Loans and advances to customers (note 3)	121,460,660	117,369,819
Accrued interest receivable	1,213,265	1,620,334
Customers' liabilities under acceptances	945,980	307,394
Investments (note 4)	10,127,842	1,457,086
Other assets	155,491	119,750
	<b>\$ 136,541,190</b>	<b>126,500,596</b>

## Liabilities and Shareholder's Equity

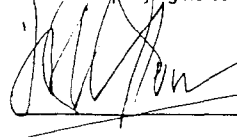
### Liabilities:

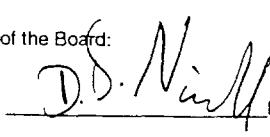
Due to banks (notes 5 and 6)	\$ 69,694,339	59,064,390
Customers' deposits (note 5)		
Call	10,751,632	19,254,731
Time	40,661,346	34,933,974
	51,412,978	54,188,705
Accrued interest payable (note 6)	1,633,047	1,298,092
Dividends payable	650,000	-
Acceptances and advances	945,980	307,394
Accounts payable and other liabilities	59,062	21,325
	124,395,406	114,879,906

### Shareholder's equity:

Share capital (note 7)	6,730,000	6,730,000
Retained earnings	5,415,784	4,890,690
	12,145,784	11,620,690
Commitments and contingencies (note 8)		
	<b>\$ 136,541,190</b>	<b>126,500,596</b>

See accompanying notes to financial statements.


 Approved on behalf of the Board:  
 \_\_\_\_\_ Director


 \_\_\_\_\_ Director

## British Bank of Latin America Limited

### Statement of Operations and Retained Earnings

Year ended December 31, 1998, with comparative figures for 1997  
(Expressed in United States dollars)

	1998	1997
<b>Income</b>		
Interest:		
Loans and advances to customers	\$ 9,795,606	9,576,941
Investments	615,405	116,281
Cash and due from banks	145,425	129,958
	10,556,436	9,823,180
Other:		
Fees and commissions	273,173	289,316
Other	4,832	10,212
Net realised gain on sale of investments	—	15,970
	278,005	315,498
	10,834,441	10,138,678
<b>Expenses</b>		
Interest:		
Due to banks (note 6)	4,099,448	3,682,594
Customers' deposits	3,468,460	3,265,041
Investments	2,195	1,877
	7,570,103	6,949,512
Other:		
Professional, general and administrative (note 6)	1,104,965	546,081
Provision for loan losses, net of recoveries	588,000	575,084
Fees and commissions	396,279	88,298
	9,659,347	8,158,975
Net income	1,175,094	1,979,703
Retained earnings, beginning of year	4,890,690	2,910,987
Dividends	(650,000)	—
Retained earnings, end of year	\$ 5,415,784	4,890,690

See accompanying notes to financial statements.

**British Bank of Latin America Limited**

## Statement of Cash Flows

Year ended December 31, 1998, with comparative figures for 1997  
 (Expressed in United States dollars)

	1998	1997
Cash flows from operating activities:		
Net income	\$ 1,175,094	1,979,703
Provision for loan losses	588,000	575,084
Cash provided by operating activities before changes in operating assets and liabilities	1,763,094	2,554,787
Changes in operating assets and liabilities:		
(Increase)/decrease in operating assets:		
Accrued interest receivable	407,069	(958,242)
Other assets	(35,741)	(23,804)
Increase/(decrease) in operating liabilities:		
Accrued interest payable	334,955	(619,933)
Accounts payable and other liabilities	37,737	28
Net cash provided by operating activities	2,507,114	952,836
Cash flows from investing activities:		
Investments	(8,670,756)	(249,915)
Increase in loans and advances to customers	(4,678,841)	(17,684,801)
Net cash used by investing activities	(13,349,597)	(17,934,716)
Cash flows from financing activities:		
Increase in due to banks	10,629,949	6,789,227
(Decrease)/increase in customers' deposits	(2,775,727)	11,247,733
Net cash provided by financing activities	7,854,222	18,036,960
Net (decrease)/increase in cash and cash equivalents	(2,988,261)	1,055,080
Cash and cash equivalents, beginning of year	5,626,213	4,571,133
Cash and cash equivalents, end of year	\$ 2,637,952	5,626,213

See accompanying notes to financial statements.

## British Bank of Latin America Limited

Notes to Financial Statements

Year ended December 31, 1998  
(Expressed in United States dollars)

### 1. General information and summary of significant accounting policies

British Bank of Latin America Limited ("the Bank") was incorporated under the laws of The Commonwealth of the Bahamas on January 1, 1981 and is licensed to carry on banking and trust business from within the Bahamas.

The Bank is a wholly-owned subsidiary of Sociedad Inversionista Anglo Colombiano S. A. ("the parent company"), which is incorporated under the laws of the Republic of Colombia.

The Bank conducts offshore banking operations. Financing of its activities is through customers' deposits, borrowings from related banks and from its own capital.

The financial statements have been prepared in accordance with International Accounting Standards and the significant accounting policies are as follows:

#### (a) *Loans and advances to customers*

Loans and advances to customers include purchased (factored) receivables and receivables from leasing contracts.

Factored receivables are carried at the principal amount of the receivables less the purchased discounts. The discounts are amortised to income using the constant yield method over the life of the receivables and are included in "interest income on loans and advances to customers" in the statement of operations.

Receivables from leasing contracts represent finance leases and are carried at the gross lease investment net of the unearned finance income. Unearned finance income is amortised to income using the constant yield method and is included in "interest income on loans and advances to customers" in the statement of operations.

#### (b) *Investments*

Investments are held for long-term investment purposes and are carried at cost. The carrying values are reduced only when in the opinion of the directors, a permanent diminution in value has occurred.

#### (c) *Currency and interest rate swap agreements*

The Bank accounts for foreign currency and interest rate swap agreements as off-balance sheet items. Cross currency interest rate swap agreements involve the exchange of amounts based on fixed interest rates for amounts based on variable interest rates over the life of the agreement with an exchange at maturity of the notional amounts upon which payments are based. The differential to be paid or received as interest rates change is accounted for on the accrual method of accounting and included in interest income. Cross currency interest rate swaps are carried at fair value. Fair value is calculated based on the termination of the agreement.

## British Bank of Latin America Limited

Notes to Financial Statements, Continued

Year ended December 31, 1998  
(Expressed in United States dollars)

### 1. General information and summary of significant accounting policies, continued

#### (d) Statement of cash flows

For purposes of the statement of cash flows, cash and cash equivalents comprise cash and due from banks.

#### (e) Use of estimates

Management of the Bank has made a number of estimates and assumptions relating to certain assets and liabilities and the disclosure of commitments and contingencies to prepare these financial statements. Actual results could differ from those estimates.

### 2. Cash and due from banks

The geographical distribution of cash and due from banks is as follows:

	1998	1997
United States of America	\$ 2,592,800	5,625,736
The Bahamas	45,152	477
	<u>\$ 2,637,952</u>	<u>5,626,213</u>

The maturity of cash and due from banks is as follows:

	1998	1997
Within one month	\$ 2,637,952	5,626,213

### 3. Loans and advances to customers

Included in loans and advances to customers are the following:

	1998	1997
Loans to third parties	\$ 100,499,878	97,792,901
Leasing contracts	10,725,039	7,807,009
Factored receivables	8,476,074	8,944,776
Syndicated loans	2,347,669	2,825,133
	<u>122,048,660</u>	<u>117,369,819</u>
Less provision for possible loan losses	(588,000)	-
	<u>\$ 121,460,660</u>	<u>117,369,819</u>

## British Bank of Latin America Limited

Notes to Financial Statements, Continued

Year ended December 31, 1998  
(Expressed in United States dollars)

### 3. Loans and advances to customers, continued

All loans and advances to customers are due from customers geographically located in South America. The movement in the provision for possible loan losses is as follows:

	1998	1997
Loan loss provisions at beginning of year	\$ —	32,036
Loan loss provisions	588,000	607,120
Recoveries	—	(32,036)
Loans written off	—	(607,120)
	\$ 588,000	—

The maturity of loans and advances to customers is as follows:

	1998	1997
Short-term loans (one year or less):		
Loans to third parties	\$ 66,480,653	46,010,996
Factored receivables	8,681,481	9,185,115
Leasing contracts	1,495,278	752,478
Long-term loans (from one to five years):		
Loans to third parties	34,019,225	51,781,904
Syndicated loans	589,323	1,150,791
Leasing contracts	10,695,567	8,239,025
Long-term loans (more than five years)	1,758,346	1,674,342
	123,719,873	118,794,651
Less:		
Unamortised purchase discount on factored receivables	(205,407)	(240,339)
Unearned finance income on leasing contracts	(1,465,806)	(1,184,493)
	(1,671,213)	(1,424,832)
	\$ 122,048,660	117,369,819

### 4. Investments

Included in investments are the following:

	1998	1997
Bonds of the Republic of Colombia	\$ 10,127,842	1,457,086

Bonds with a carrying value of \$1,730,842 mature in September 1999 and the remainder matures in November 2008.



## British Bank of Latin America Limited

Notes to Financial Statements, Continued

Year ended December 31, 1998  
(Expressed in United States dollars)

### 5. Due to banks and customers' deposits

The geographical distribution of due to banks is as follows:

	1998	1997
United States of America	\$ 50,581,132	27,757,445
The Bahamas	9,000,000	9,000,000
United Kingdom	5,785,250	13,800,000
Panama	1,000,000	2,223,285
Canada	2,000,000	2,111,920
Europe	667,818	1,500,000
Japan	660,139	1,038,800
Germany	—	1,632,940
	\$ 69,694,339	59,064,390

Due to banks matures as follows:

	1998	1997
Within one month	\$ —	5,271,390
Within one to three months	20,000,000	24,505,000
Within three to six months	49,694,339	29,288,000
	\$ 69,694,339	59,064,390

The maturity of customers' deposits is as follows:

	1998	1997
Within one month	\$ 9,607,272	20,247,768
Within one to three months	6,769,879	2,923,650
Within three to six months	16,597,637	11,812,405
Within six to twelve months	18,438,190	19,204,882
	\$ 51,412,978	54,188,705

Due to banks and customers' deposits are due to entities and individuals geographically located in South America and bear interest at rates ranging from 3.00 to 6.75% (1997: 2.5 to 18.00%) per annum.

## British Bank of Latin America Limited

Notes to Financial Statements, Continued

Year ended December 31, 1998  
(Expressed in United States dollars)

### 6. Related party transactions

The financial statements include the following related party amounts:

	1998	1997
<b>Assets</b>		
Cash and due from banks:		
Demand	\$ 45,152	477
	45,152	477
<b>Liabilities</b>		
Due to banks	35,945,389	23,838,800
Accrued interest payable	295,712	226,210
	36,241,101	24,065,010
<b>Expenses</b>		
Interest	743,445	1,579,202
Professional, general and administrative	793,680	341,121
	\$ 1,537,125	1,920,323

### 7. Share capital

The Bank's share capital comprises 673,000 shares of \$10 par value, all of which have been issued and fully paid.

### 8. Commitments and contingencies

As of December 31, 1998, the Bank had outstanding standby letters of credit amounting to \$6,749,699 (1997: \$7,257,538). The Bank does not expect to incur any losses as a result of these commitments.

### 9. Currency and interest rate swap contracts

The Bank has entered into a cross-currency interest rate swap agreement with a related party to exchange pounds sterling (£5,000,000) for United States dollars (US\$8,392,000). The Bank is required to make pounds sterling payments at a fixed rate of 9.75% per annum in exchange for United States dollar payments at a variable rate of United States dollar 6 month Libor plus 273 basis points. Interest payments are calculated and settled every 6 months and the agreement matures in February 2008.

### 10. Fair value disclosure of financial instruments

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Bank's entire holdings of a particular financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

## British Bank of Latin America Limited

Notes to Financial Statements, Continued

Year ended December 31, 1998  
(Expressed in United States dollars)

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### 10. Fair value disclosure of financial instruments, continued

The carrying amount for the Bank's financial instruments approximates fair value because of one or all of the following reasons:

- a) Immediate or short-term maturity,
- b) Interest rates approximate market rates,
- c) Carrying values approximate market values.

### 11. Year 2000 issue

The Year 2000 issue arises because many computerised systems use two digits rather than four to identify a year. Date sensitive systems may recognise the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. However, it is possible that certain aspects of the Year 2000 issue affecting the entities, such as those related to efforts of customers, suppliers, or other third parties, may not be fully resolved.

### 12. Assets under management

At December 31, 1998, the Bank had assets under management on behalf of customers which do not appear as assets or liabilities in the financial statements.

### 13. Comparative figures

Certain comparative figures for 1997 have been reclassified to conform with 1998 presentation.

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United States Senate

COMMITTEE ON  
GOVERNMENTAL AFFAIRS  
WASHINGTON, DC 20510-6250

April 6, 2001

Mr. Joseph D. Pizzurro, Esquire  
Curtis, Mallet-Prevost, Colt & Mosle  
101 Park Avenue  
New York, New York 10178

Dear Mr. Pizzurro:

As you know, earlier this month, the U.S. Senate Permanent Subcommittee on Investigations held hearings examining how U.S. correspondent accounts with foreign banks are being used to launder money. These hearings followed release of "Correspondent Banking: A Gateway for Money Laundering," a Subcommittee minority staff report which, among other matters, included a case history examining the correspondent relationship between your client, British Bank of Latin America (BBLA), and the Bank of New York. The report's description of BBLA was based, in part, on information in a March 9, 2000 letter provided by your firm on behalf of BBLA and in a lengthy interview conducted with bank personnel from BBLA, Banco Anglo and Lloyds TSB Bank ("Lloyds") on March 29, 2000.

After the hearings, my staff received the enclosed English translation of a news article which allegedly appeared in Spanish, on June 3, 1999, in El Espectador, in Bogota, Colombia. The purpose of this letter is to try to determine whether certain allegations in the article are true and, if so, why this information was not disclosed by your client during the Subcommittee investigation. Accordingly, please provide answers to the following questions by April 20, 2001.

- (1) Is it true that the enclosed article was published on June 3, 1999, in El Espectador, in Bogota, Colombia? If so and if there is a more accurate English translation of this article than the enclosed version, please provide a copy of that translation.
- (2) Is it true that Patricia Arango de Corredor wrote letters allegedly offering BBLA services to buy U.S. dollars from the black market in Colombia? If so, please provide copies of these letters and any English translations of them.
- (3) Is it true that BBLA terminated Mrs. Arango's position with the bank in 1998?
- (4) Is it true that Mrs. Arango wrote a letter to BBLA, Banco Anglo or Lloyds defending her actions? If so, please provide a copy of the letter and any English translation of it.
- (5) Is it true that Banco Anglo filed legal pleadings against Mrs. Arango for defamation or other injury? If so, please provide a copy of the complaint or equivalent legal pleading and any English translation of it, and describe the current status of this matter.

Joseph D. Pizzurro, Esquire  
Page Two

(6) Is it true that in 1999, Colombian bank regulators imposed a substantial fine against BBLA or Banco Anglo? If so, was the fine for 44 million pesos or another amount? Please provide a copy of any document imposing such fine and any English translation.

(7) Is it true that in 1999, Colombian bank regulators identified a number of deficiencies in BBLA or Banco Anglo operations, including in the area of anti-money laundering controls? If so, please provide a copy of the documents identifying such deficiencies by the Colombian bank regulators and any English translation of them.

(8) Is it true that in 1999, Colombian bank regulators ordered removal of Marta Patino Jimenez from her position as a BBLA representative? If so, please provide a copy of the order and any English translation of it.

(9) Is it true that BBLA, Banco Anglo or Lloyds has appealed decisions made by Colombian bank regulators to impose sanctions on one or more of the banks? If so, please provide a copy of each such appeal and any English translation of it.

(10) If any of the above allegations is true, please explain why BBLA failed to disclose the relevant information in its March 9, 2000 written response to a question asking about BBLA's understanding of how \$1.5 million in alleged drug proceeds were deposited into its U.S. correspondent account and whether it was aware of any suspicious activity involving these funds.

(11) If any of the above allegations is true, please explain why BBLA, Banco Anglo or Lloyds failed to disclose the relevant information during the March 29, 2000 interview in which, among other questions, the bank representatives were asked if they were aware of any regulatory problems that BBLA or Banco Anglo had experienced in the Bahamas or Colombia.

(12) The Bahamas recently revoked BBLA's banking license. Please provide copies of any documents from the Bahamian government explaining the reason for this action. Please describe the current status of Banco Anglo in Colombia.

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Joseph D. Pizzurro, Esquire  
Page Three

Please provide this information by mail to 193 Russell Senate Office Building,  
Washington, D.C. 20510, or by fax to (202) 224-1972; and direct any questions to Elise Bean of  
my staff at (202) 224-9505.

Sincerely,

A handwritten signature in black ink, appearing to read "Carl Levin". The signature is fluid and cursive, with a large initial "C" and a stylized "L".

Carl Levin  
Ranking Democrat  
Permanent Subcommittee on Investigations

CL/ejb  
Enclosure

cc: The Honorable Susan M. Collins, Subcommittee Chairman

## [ TRANSLATION ]

Article published in "El Espectador,"  
Bogota, Colombia, on June 3, 1999

US\$13.7 Million, Frozen

"Laundering in Troubled Waters"

A Lloyds bank of Nassau sold Mexican narcodollars  
to Colombian clients who were trying to get their money  
out of the country at the beginning of the crisis

"The parallel exchange market should be appealed to," Patricia Arango/private-bank sector

Looking for money laundered by the late drug dealer Amado Carrillo Fuentes, the Colombian authorities found evidence indicating that the British Bank of Latin America Limited (BBLA), purchased dollars from the "parallel market," from the offices of Banco Anglo Colombiano in the district of El Chico de Bogota, and sold them to those who, in the last stages of the government of Ernesto Samper, were anxious to get their money out of the country.

At least 42 Colombian individuals and juridical persons were affected when US\$13.7 million were frozen and therefore persecuted by the American Customs during the operation known as "Operacion Casablanca," in search of the money of Amado Carrillo Fuentes, a Mexican *capo* known when he lived as "Señor de los cielos" [Lord of the heavens]. US\$1.5 million were deposited on behalf of the Colombian clients of the BBLA, and are now frozen in the Bahamas.

Fifteen Colombian banks and the office representing the British Bank of Nassau in Bogota received deposits made by members of the organization headed by the Mexican Victor Manuel Alcala and the Colombian Oscar Armando Saavedra (fugitive), as it was learned during the investigation that led to the biggest money confiscation ever made, known as "Operacion Casablanca."

The Colombian authorities have filed proceedings for the termination of ownership with regard to the US\$1.5 million of the BBLA, and another US\$11.9 million deposited in other national banks.

Some of the strongest points of the investigation are the letters written by Patricia Arango de Corredor offering the services of the BBLA of Bahamas from the offices of the Banco Anglo Colombiano en el Chico, wherein she affirmed that the bank was used to buying dollars from the black market.

According to the banker, who was fired from the British Bank last year in November five months after the Attorney General of the Nation examined the bank's papers, the group of banks (Anglo-British-Lloyds) instructed their agents to purchase dollars from the black market on behalf of their clients, and to obtain not only a good price, but also "confidentiality" in order to evade payment of taxes.

In a letter to the legal representatives of these three banks, copy of which was forwarded to the Government Attorney General and the Superintendency of Banks, Mrs. Arango affirms that the directors of the Anglo Bank and the instructors of Lloyds explained that "the parallel exchange market should be appealed to take care of the requirements of their clients-investors. . . and that such alternative would constitute an additional sales enticement, since under the appearance of institutionalality the clients would be guaranteed discretion and fiscal benefits."

Although the Banco Anglo Colombiano filed a formal accusation against Mrs. Arango de Corredor for defamation and injury, last April 30 the Superintendency of Banks concluded the investigation concerning the operations of the British Bank in Colombia and imposed a fine of \$44 million for, among another eleven counts, "omission of controls and procedures in the prevention of money laundering," offering unauthorized middleman services, failing to provide the Superintendency of Banks with information, and other charges. A week later, the immediate removal of the representative of the British Bank in Colombia, Marta Patiño Jimenez, was ordered.

Scott Donald, the president of Banco Anglo Colombiano, explained that the British Bank of Latin America is a bank domiciled in the city of Nassau, that it is a member of the Anglo Group, and that it receives and loans money in Colombia, but he emphatically denied the allegations which were the basis for the sanctions imposed by the Superintendency, and the claims of Mrs. Arango de Corredor.

According to the British banker, said sanctions were appealed, and for said reason, they are not proven facts, legally speaking.

#### The Troubled Waters

When the Samper administration was coming to an end, the demand for dollars indicated an unusual increase; the Banco de la Republica's explanation was that, trying to prevent an aggravation of the crisis, "many economic agents who had substituted debts in pesos for debts in dollars until mid-1997, started to do the opposite at that time, contracting debts in pesos in order to cancel debts in foreign currencies."

The official explanation notwithstanding, investors were encouraged to believe that a continuation of the Ernesto Samper regime would aggravate the economic situation of the country. According to Donald, that change in behavior at said time was determined by the crisis of the Stock Exchange in Brazil, the regional uncertainty, and the raise of interest.



Consequently, banks designed financial products for Colombians who wished to get their capital out of the country.

In February and March 1998, Horacio Serpa was ahead of Andres Pastrana in the political polls for the presidential elections of June 21. According to the evidence obtained by the Superintendency of Banks concerning the British Bank, other Colombian banks had opened "secret" accounts in dollars to sell them to their clients, thus evading the payment of taxes.

The daughter of a conservative leader (his identity is protected by the Superintendency) sold three old houses she owned in Cali on December 4, 1997, and wrote 12 checks out of her checking account that were paid by the British Bank (BBLA) in Bogota, as they had been instructed to do by Patricia Arango de Corredor at the offices of Banco Anglo.

Later on they gave her documents showing that she owned a CDT for US\$150,000 in Nassau, earning 4.25% interest.

At the time, she was not informed that the dollars used for the CDT had been transferred to the British Bank in Nassau by Income Properties, a firm that used the two money-launderers, Alcala and Saavedra, to clean the money of Amado Casillo Fuentes, and that said firm was been watched by the United States Customs in Los Angeles.

The Superintendency of Banks documented, detected and analyzed three other cases of direct transfers from the account that handled the dollar-laundering at Bank of America of Los Angeles, which was connected to the purchase of dollars used for businesses made by the British Bank of Latin America at the El Chico branch of Banco Anglo Colombiano.

Of the US\$87 million intercepted by the Americans, US\$13.7 million were laundered through and by Colombian bank accounts, but this does not include the US\$1.5 million of the four clients of the British Bank in El Chico.

#### **Laundering by 16 Banks**

According to the documents provided to the Government Attorney's Office by the Department of Justice of the United States, the trial is connected to an investigation undertaken by Anne Linton and Steve Perino, special agents of the Customs Service who infiltrated the Carrillo Fuentes net.

The Government Attorney's Office of Colombia affirms that documents in their possession reflect 52 different charges, "but framed within the mentioned illicit parameters, and led by the same individuals mentioned above (the Mexican Victor M. Alcala and the Colombian Oscar Armando Saavedra) and their associates, and said documents indicate that after the money was picked up in cash, it was deposited in a bank account in order to subsequently perform the electronic transactions, always in accordance with the instructions received from the two accused."

In addition to the order of confiscation against the US\$1.5 million of Colombian clients in Nassau, the filing of an order of extinction of ownership by the Government Attorney's Office of Colombia concerning the US\$11.3 million is still pending, since that money derives from the Income Properties' accounts.

\* \* \*

#### Amado Carrillo's Inheritance

When Pablo Escobar died, his associates, Miguel Felix Gallardo and Ernesto Fonseca, had been for a long time in control of the biggest shipments of cocaine to the United States, through the so-called "cartel del Golfo" [cartel of the Gulf].

Amado Carrillo Fuentes, who had started his career as a drug peddler when he was 17 year old, as a "mula", inherited the two organizations before he was 30 years old and controlled them from the city where he was born in the state of Culiacan.

In February 1997, the Mexican police captured General Jesus Gutierrez Rebollo, anti-drugs zar of Mexico, and started the search for Carrillo and his fortune (estimated in more than US\$15,000 million).

Carrillo tried to change his facial characteristics in order to evade persecution, but died during surgery on July 4, 1997.

\*\*\*\*\*

CURTIS, MALLET-PREVOST, COLT & MOSLE LLP

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April 20, 2001

**VIA FACSIMILE & FEDERAL EXPRESS**

The Honorable Carl Levin  
 Ranking Minority Member  
 United States Senate  
 Permanent Subcommittee on Investigations  
 Committee on Governmental Affairs  
 193 Russell Senate Office Building  
 Washington, D.C. 20510

Re: British Bank of Latin America

Dear Senator Levin:

We are in receipt of your letter of April 6, 2001 requesting additional information from British Bank of Latin America ("BBLA"). Unfortunately, due to various vacation schedules, we will not be able to provide full response to your request by April 20. However we would like to make the following points at this time.

First, any implication that BBLA has withheld information from the Subcommittee staff is not correct. BBLA had discussed the matters concerning Patricia Arango de Corredor in detail with United States government officials on two occasions prior to the time that we were initially contacted by the Subcommittee staff. The first of these discussions took place with United States embassy officials in Bogota, Colombia in November, 1998. The second occasion was a meeting between bank representatives and U.S. law enforcement agents and assistant United States attorneys in California later that month. We point out that BBLA engaged in these discussions on a voluntary basis and without the assistance of U.S. counsel. Furthermore the article to which your letter refers appeared in the Colombian newspaper with the second highest circulation in the country almost a year prior to the meeting with the staff. Based upon the open and notorious disclosures of these matters, and BBLA's prior cooperation and disclosures to the United States government, it was our natural and indeed the only reasonable conclusion that the staff was fully aware of these matters. If the staff had any additional

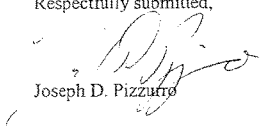
questions for BBLA on this issue, we assumed those questions would have been asked. They were not.

We also point out that at the conclusion of the meetings with the Subcommittee staff on March 31, 2000, BBLA did undertake to provide additional information concerning certain Colombian bank regulatory issues. However, before that information was collected and provided I received a telephone call from Elise Bean of your staff informing me that BBLA was no longer a concern of the Subcommittee investigation but that certain additional information would be appreciated. We provided that information in a subsequent letter dated July 26, 2000. Thereafter we received no further requests.

Finally, we point out that from the outset the Subcommittee staff was made aware that BBLA was actively engaged in civil litigation in the United States which could bear directly on some of the questions which had been raised. We made very clear that any responses would have to be weighed to give due consideration to BBLA's position in that litigation. Indeed there were questions put to BBLA's representatives by the staff which we declined to answer on just that basis and the staff expressed a clear understanding of that position and made no objection.

In this respect, BBLA's position has not changed. While BBLA wishes to cooperate with the Subcommittee staff and provide what information it can, it must continue to consider the impact on the litigation of any communications with, or disclosures to, the Subcommittee staff. We will provide a more detailed response to the information requests in your letter of April 6 in the near future.

Respectfully submitted,



Joseph D. Pizzutto

ATTORNEYS AND COUNSELLORS AT LAW

101 PARK AVENUE  
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E-MAIL [jprizzurro@cm-p.com](mailto:jprizzurro@cm-p.com)  
FACSIMILE 212-696-8820

May 24, 2001

**VIA FACSIMILE & FEDERAL EXPRESS**

The Honorable Carl Levin  
Ranking Minority Member  
United States Senate  
Permanent Subcommittee on Investigations  
Committee on Governmental Affairs  
193 Russell Senate Office Building  
Washington, D.C. 20510

Re: British Bank of Latin America

Dear Senator Levin:

We write in further response to your letter of April 6, 2001, requesting additional information from British Bank of Latin America Ltd. ("BBLA"). Due to issues relating to the ongoing civil forfeiture litigation, which are more fully set forth below, we do not believe that BBLA is in a position to provide any further documentation in connection with these responses.

In response to your specific questions we answer as follows:

### Question 1

The article in question was published almost two years ago in Bogota, Colombia. While BBLA does not accept the complete accuracy of the translation attached to your letter, more particularly BBLA does not accept the complete accuracy of the statements contained in that article. In particular BBLA was not, and has never been found to be, involved in any money laundering activities in Colombia or elsewhere.

Questions 2 through 5

It is true that Patricia Arango de Corredor was under contract to BBLA to develop its private banking business by introducing wealthy Colombian nationals to BBLA in order to

open U.S. dollar accounts with BBLA in The Bahamas. Ms. de Corredor was not an employee of the Bank and was paid on a commission basis. She had no authority to transact any business by or on behalf of the Bank. Specifically she had no authority to offer any foreign exchange services on behalf of BBLA, not only because she was not authorized to provide any banking services but also because BBLA did not engage in any foreign exchange transactions. All of BBLA's business was done in U.S. dollars. When it came to BBLA's attention that Ms. de Corredor may have facilitated foreign exchange transactions for certain BBLA customers, activity which she conducted without the knowledge or authorization of BBLA, her contract was terminated. Thereafter Ms. de Corredor embarked on a letter writing campaign in which she falsely claimed that her actions were authorized by both BBLA and Banco Anglo. These letters were an attempt on her part to avoid criminal responsibility for her actions by claiming that she was simply acting under the instructions of her superiors.

Since that time criminal charges have in fact been referred against Ms. de Corredor by the Colombian authorities. In addition, BBLA and Banco Anglo brought a civil action against Ms. de Corredor alleging defamation and related claims based on the false letter writing campaign referred to above. Both actions are still pending.

#### Question 6

In 1999 the Superintendency of Banking in Colombia did impose a fine equivalent to \$25,000 U.S. on BBLA for certain regulatory infractions. Banco Anglo was not involved in the Superintendency's report or decision. That fine was not imposed for any money laundering activity, nor has the Superintendency ever found or even alleged that BBLA engaged in any money laundering activity.

#### Question 7

In 1999 the Superintendency of Banking also commented on the adequacy of BBLA's internal anti-money laundering controls. Banco Anglo was not part of the Superintendency's report.

#### Question 8

Yes, in 1999 Martha Patiño was placed on administrative leave from BBLA as a result of the Superintendency's report. She is still employed by BBLA.

#### Question 9

BBLA has appealed the Superintendency's determinations. As part of that process, the Constitutional Court has now ruled that the Superintendency was without power to penalize the operations of a representative office in Colombia of a foreign bank based on purported regulatory violations. In addition, the Consejo de Estado (Counsel of State) has ruled

that portions of the Regulations upon which the Superintendent based its decisions were null and void. BBLA is continuing with its direct appeal of the Superintendent's actions.

#### Questions 10 and 11

We believe that the responses to these questions are set forth in my earlier letter of April 20, 2001. The questions which had been put to BBLA last year involved the circumstances of the deposits of dollars into BBLA's interbank account at BoNY, and were answered in BBLA's written response of March 29, 2000. BBLA is not at liberty to discuss any further details regarding issues which are the subject of ongoing litigation before two United States District Courts. We do wish to point out however that BBLA did not engage in any conduct constituting or relating to money laundering. Indeed, in the two pending civil forfeiture proceedings, the United States has never even alleged that BBLA itself was engaged in money laundering or was anything more than an unknowing and unwitting conduit for what may have been laundered dollars. The United States has voluntarily dismissed with prejudice a third action in the Southern District of Florida and has returned all of BBLA's funds, with interest.

#### Question 12

By the end of 1999, BBLA had substantially discontinued its operations and became inactive during the first half of 2000. At the end of 2000 it therefore surrendered its banking license to the Bahamian authorities and requested that the license be put on inactive status. After the publication of the Senate Subcommittee's Report, the Bahamian Central Bank contacted BBLA to state its intention to revoke BBLA's license. BBLA thereafter requested that its prior surrender of the license simply be treated as BBLA's request that its license be cancelled. The Superintendent of Banking then suspended BBLA's license for 90 days. A revocation of the license was issued on March 12, 2001.

Banco Anglo's status in Colombia is unchanged. It has not been involved in the matters as discussed above. Banco Anglo's name has now been changed to Lloyds TSB Bank S.A.

In closing, we want to point out once again that BBLA has consistently cooperated voluntarily with all United States authorities in the inquiries related to the possible use of the Bank by money launderers. When Operation Casablanca was first brought to BBLA's attention, the Bank provided U.S. diplomatic and law enforcement personnel with the full information it had regarding the activities of Patricia de Corre or, who had by that time been dismissed by the Bank. That good faith effort resulted in the U.S. Government's seizure of \$1.27 million of BBLA's property despite the fact that none of the property was involved in or can be traced to any money laundering activity and despite the fact that the seizure was effected long after the statute of limitations had expired.

BBLA voluntarily cooperated with your Subcommittee, providing written responses to questions along with documentation, and voluntarily submitted to a day-long interview session of its personnel. That cooperation resulted in the Subcommittee's Report which is now being relied upon by the United States in one of the two pending forfeiture cases as evidence to establish probable cause that BBLA was knowingly engaged in the money laundering activities giving rise to the seizure. While we believe it is clear that the Government's contention is without merit and BBLA will prevail, it is clear that BBLA's cooperation to date has unfairly been used against the Bank.

The Subcommittee staff has always been most sympathetic to BBLA's need to protect its legitimate interests in the on-going civil litigation. BBLA's further cooperation must be tempered by the fact that it cannot provide responses or documentation which may be further misused and misconstrued in the forfeiture proceedings. Any further relevant information will be provided in the context of the on-going litigation, where BBLA is entitled to certain procedural safeguards which, unfortunately, are not available in communications with the Subcommittee.

Respectfully submitted,



Joseph D. Pizzurro



Source: [All Sources](#) : / . . . / : The Bankers' Almanac  
 Terms: [lloyds tsb and bahamas](#) ([Edit Search](#))

*The Bankers' Almanac Lloyds TSB Bank & Trust (Bahamas) Limited*

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**Lloyds TSB Bank & Trust (Bahamas) Limited**

PO Box N-1262, Bolam House, King & George Streets, Nassau, **Bahamas**

Tel: +1 242 3023000 Fax: +1 242 3228719

Tlx: NS 20107 lloyds; Tgms: lloyds; Swift: LOYD 8S NS

**LENGTH:** 717 words

**TABLE OF CONTENTS:**

Company Info  
 Executives  
 Correspondents  
 Subsidiaries  
 Balance Sheet (US\$ )

\*\*\*\*\* COMPANY INFORMATION \*\*\*\*\*

**RANKINGS:** World: 2,392

**SHAREHOLDERS:** Lloyds Bank (**Bahamas**) Finance Co Ltd, Nassau (100%)

**AUDITOR:** PricewaterhouseCoopers

**DESCRIPTION:**

Joint Stock Bank  
 Activity: Private Banking  
 Ultimate Parent Company: **Lloyds TSB** Group plc  
 Services: Trusts & Managed Cos., Investment Management, Custodial & Security, Private Banking  
 Shares: US\$ 1,000  
 Branches: 1

**HISTORY:**

Established 1977 as Lloyds Bank International (**Bahamas**) Ltd. On June 28, 1999 merged with TSB Bank plc and name changed as above.

\*\*\*\*\* EXECUTIVES \*\*\*\*\*

David G Nicoll, Principal Manager & Director  
 Abraham L Butler, Deputy Principal Manager & Director  
 Peter F Snell, Deputy Principal Manager & Director

\*\*\*\*\* CORRESPONDENTS \*\*\*\*\*

Frankfurt am Main: Schroeder Muenchmeyer Hengst AG

London: **Lloyds TSB** Bank plc (EURO account)  
 Madrid: Lloyds Bank (BLSA) Ltd  
 Montreal: Bank of Montreal  
 New York City: Bank of America NA  
 New York City: The Bank of New York  
 Sydney: Westpac Banking Corporation

## STANDARD SETTLEMENT INSTRUCTIONS:

AUD: Westpac Banking Corporation Sydney. SWIFT: WPAC AU 2S. Acct No: LI80001975.

CAD: Bank of Montreal Montreal. SWIFT: BOFM CA M2. Acct No: 3169-1053-786.

DEM: Schroeder Muenchmeyer Hengst AG Frankfurt am Main. SWIFT: SMHB DE FF. Acct No: 0035-1924-00.

ESP: Lloyds Bank (BLSA) Ltd Madrid. SWIFT: LOYD ES MM. Acct No: 451-657.

EUR: **Lloyds TSB** Bank plc London. SWIFT: LOYD GB 2L. Acct No: 59032238.

GBP: **Lloyds TSB** Bank plc London. SWIFT: LOYD GB 2L. Acct No: 1131940.

USD: Bank of America NA New York City. SWIFT: BOFA US 3N. Acct No: 6550819487. ABA: 026009593.

USD: The Bank of New York New York City. SWIFT: IRVT US 3N. Acct No: 89000-46155, 89000-46171.

## \*\*\*\*\* SUBSIDIARIES \*\*\*\*\*

## Wholly-owned Subsidiaries:

Equus Limited (100%)

Lloyds IPB (BVI) Limited (100%)

Lloydtru (100%)

## \*\*\*\*\* CONSOLIDATED PERFORMANCE RATIOS \*\*\*\*\*

Dec.31	1998	1997
Net Profit/Equity Capital	18.72%	16.73%
Net Profit/Total Assets	1.11%	0.85%
Equity Capital/Total Assets	5.91%	5.07%

## \*\*\*\*\* CONSOLIDATED BALANCE SHEET (US\$ ) \*\*\*\*\*

**CURRENCY:** Dollar, US\$, U.S.\$, USD

ASSETS: Dec.31	1998	1997
	US\$	US\$
Cash & Banks	298,724,701	338,688,053
Loans, &c	21,063,485	11,734,344
Fixed Assets	5,271,111	5,160,305
Other Assets	4,069,550	5,115,436
Total	329,128,847	360,698,138

LIABILITIES: Dec.31	1998	1997
	US\$	US\$
Capital	15,000,000	15,000,000
Reserves	292,836	292,836
Deposits, &c	305,056,202	334,953,746
Other Liabilities	4,630,222	7,441,316
Profit Balance	4,149,587	3,010,240
Total	329,128,847	360,698,138

## \*\*\*\*\* CONSOLIDATED PROFIT &amp; LOSS STATEMENT (US\$ ) \*\*\*\*\*

Dec.31	1998	1997
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Search - 14 Results - lloyds tsb and bahamas

<http://www.lexis.com/research/retr...5=886a96ebf26bc33ed69b5f5e6c7ba71b>

	US\$	US\$
Net Interest Inc.	4,845,819	5,057,588
Other Income	5,793,276	6,481,628
Other Expense	(6,999,748)	(8,477,387)
Net Profit/(Loss)	3,639,347	3,061,829

**LANGUAGE:** English**PUB-TYPE:** Company Profile**LOAD-DATE:** February 23, 2000

Source: [All Sources : / . . . / : The Bankers' Almanac](#)  
Terms: [lloyds tsb and bahamas](#) ([Edit Search](#))  
View: Full  
Date/Time: Tuesday, March 28, 2000 - 12:20 PM EST

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*The Bankers' Almanac Lloyds Bank International (Cayman) Ltd*

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**Lloyds Bank International (Cayman) Ltd**

PO Box N 1262, Nassau, **Bahamas**

**LENGTH:** 20 words

**DESCRIPTION:** March 25, 1998 banking licence revoked

**LANGUAGE:** English

**PUB-TYPE:** Company Profile

**LOAD-DATE:** February 23, 2000

Source: All Sources : /.../: The Bankers' Almanac  
 Terms: lloyds and bahamas ([Edit Search](#))  
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 Date/Time: Tuesday, March 28, 2000 - 10:15 AM EST

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3093



**CAYMAN ISLANDS  
MONETARY AUTHORITY**

Ref: KA/MAE      Licence #72005

17 April, 2000

Ms. Elise J. Bean  
Deputy Chief Counsel to the Minority  
Permanent Subcommittee on Investigations  
United States Senate  
193 Russell Building  
Washington, D.C. 20510

Dear Ms. Bean,

**Re: Lloyds TSB Bank & Trust (Cayman) Limited**

The above bank was issued a Category "B" Banking Licence on the 1<sup>st</sup> September 1995, having surrendered its Category "A" Banking Licence for cancellation. The Bank also holds a Trust Licence. The Category "A" Banking Licence was surrendered as the bank no longer required a physical presence, resulting from a corporate decision to move administration of the Cayman operations to the Bahamas.

We have also attached an extract from the bank's 1999 Audited Financial Statements for your information.

Please do not hesitate to contact the Authority, should you require any additional information.

Yours faithfully,

A handwritten signature in dark ink, appearing to read "K. Adamsons".

Karlís Adamsons  
Deputy Head – Banking and Trust

E-mail: [Banking@cimoney.com.ky](mailto:Banking@cimoney.com.ky)

**Lloyds TSB Bank & Trust (Cayman) Limited**  
Notes to Consolidated Financial Statements  
31 December 1999

---

**1. Incorporation and activity**

Lloyds TSB Bank & Trust (Cayman) Limited (formerly Lloyds Bank International (Cayman) Limited) (the Bank) is incorporated in the Cayman Islands and is a wholly-owned subsidiary of Lloyds TSB Group Plc, a company incorporated in Great Britain. The Bank operates under a category 'B' combined banking and trust license issued by the Cayman Islands Government. Following the signing in 1995 of a Management Agreement between the Bank and an affiliated bank, Lloyds TSB Bank & Trust (Bahamas) Limited (formerly Lloyds Bank International (Bahamas) Limited), ("LTSB") under which the latter assumed responsibility for administering the Bank's operations, the Bank's Cayman office was closed on 31 August 1995. The registered office of the Bank is located at BOLAM House, King and George Streets, Nassau, The Bahamas.

The Bank's principal activities consist of the provision of trust, corporate, administrative, banking and financial services. All term deposit funds received from customers are placed with the affiliated bank for the same periods and at the same interest rates as the related customer deposits.

Source: [All Sources](#) : /.../: The Bankers' Almanac  
 Terms: lloyds and bahamas ([Edit Search](#))

*The Bankers' Almanac Lloyds TSB Bank plc*

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**Lloyds TSB Bank plc**

71 Lombard Street, London, EC3P 3BS, UK

Tel: +44 20 76261500

Tlx: 888301; Tgms: branchage london ec3, colforloyd london ec4; Swift: LOYD GB 2L; Reuters:  
 LOYN, LOYO, LOYL, LOYM, LOYX; SCN: 30-00-C0; Website: <http://www.lloydstsb.co.uk>

**LENGTH:** 11140 words

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 Executives  
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 Domestic Branches  
 Foreign Branches  
 Subsidiaries  
 Balance Sheet (USD)  
 Balance Sheet (GBP)

\*\*\*\*\* COMPANY INFORMATION \*\*\*\*\*

**BUSINESS-ADDRESS:**

International Division: St George's House, 6-8 Eastcheap, London, EC3M 1AE, UK; Tel: +44 20 72831000;  
 Financial Institutions: Tel: +44 20 72831000; Fax: +44 20 76614790; : P J Brunson; Chief  
 Manager: R S Betchley; Regional Chief Manager: D J Curtis; Regional Chief Manager: C Paton;  
 Senior Manager: M B Smith; Regional Chief Manager: G A Vaughn; Regional Chief Manager, UK  
 Institutions: : Roberts; Senior Manager, Southern Europe: A Swanson; Senior Manager, Northern  
 Europe: M C Thatcher; Senior Manager: K W Stockbridge; Senior Manager: T S Bailey; Head: T P  
 Alnsworth;  
 International Division: PO Box 63, Two Brindleyplace, Birmingham, W Mids B1 2AB, UK; Tel: +44  
 121 6439840; Fax: +44 121 6430508; Tlx: 888301 lloyd ln g; Head: R W Long; Senior Manager: A  
 J Bull; Senior Manager: I K Nield; Manager: P W Walker

**CREDIT-RATING:** Moody's: Aa1 ; P-1 S&P: AA ; A-1+ TBW: AA+ ; TBW-1

**RANKINGS:** World: 31; Country: 4

**AUDITOR:** PricewaterhouseCoopers

**EMPLOYEES:** 77,000

**DESCRIPTION:**

Member of: British Bankers' Association  
 Branches: 1800

\*\*\*\*\* SUBSIDIARIES \*\*\*\*\*

Wholly-owned Subsidiaries:

Agricultural Mortgage Corp Plc, Andover (100%)  
 Anglo-South American Bank Limited (100%)  
 Barrow Platt & Company Limited, London (100%)  
 BAX Bank NV, Amsterdam (100%)  
 Black Horse Property Services Limited, London (100%)  
 British Bank of South America Limited (100%)  
 Cashpoint Limited, London (100%)  
 Cox & Co, London (100%)  
 Cox's & King's Financial Services Limited (100%)  
 East Island Shipping Company Limited, Limassol (100%)  
 Etablissement Pro Fide (100%)  
 Exclusive Finance No 1 Plc, London (100%)  
 High Street Marketing Services SA (100%)  
 Hill Samuel Bank Limited, London (100%)  
 Hill Samuel Investments Limited, London (100%)  
 Hill Samuel Leasing Co Limited, London (100%)  
 Lamoran Participations Inc (100%)  
 LBI Finanz Anstalt (100%)  
 LBI Holdings GmbH (100%)  
 LBI Holdings Limited, London (100%)  
 LBI Insurance Limited (100%)  
 Lloyd's Correduria de Seguros (Grupo **Lloyds** Bank) Sociedad (100%)  
**Lloyds** America Securities Corporation (100%)  
**Lloyds** Asia Limited (100%)  
**Lloyds** Bank (**Bahamas**) Finance Co Ltd, Nassau (100%)  
**Lloyds** Bank (BLSA) Ltd, London (100%)  
**Lloyds** Bank Charitable Trust Limited (100%)  
**Lloyds** Bank Debt Conversion Fund (100%)  
**Lloyds** Bank Export Finance Limited, London (100%)  
**Lloyds** Bank Factors Ltd, Banbury (100%)  
**Lloyds** Bank Financial Services (Holdings) Ltd (100%)  
**Lloyds** Bank Futures Limited, London (100%)  
**Lloyds** Bank (Gibraltar Management) Limited (100%)  
**Lloyds** Bank International Ltd, London (100%)  
**Lloyds** Bank Marketing Services Limited (100%)  
**Lloyds** Bank Pension Trust Corporation Limited (100%)  
**Lloyds** Bank Stockbrokers Limited, London (100%)



**Lloyds** Bank Subsidiaries Ltd, London (100%)  
**Lloyds**, Cox's & King's Limited, London (100%)  
**Lloyds** Investment Managers Sociedad Gerente de Fondos Comune (100%)  
**Lloyds** Leasing Ltd, London (100%)  
**Lloyds** Premises Investments Limited, London (100%)  
**Lloyds** Private Banking Ltd, Richmond-upon-Thames (100%)  
**Lloyds** (SEA) Ltd, Singapore (100%)  
**Lloyds** Trade & Project Finance Limited, London (100%)  
**Lloyds** TSB Bank & Trust (Cayman) Ltd, George Town (100%)  
**Lloyds** TSB Financial Services Holdings Plc, London (100%)  
**Lloyds** TSB Merchant Bank Ltd, Singapore (100%)  
**Lloyds** TSB Scotland plc, Edinburgh (100%)  
LMB Services Limited (100%)  
Lombard Street Insurance Brokers SA (100%)  
London & Brazilian Bank Limited (100%)  
London & River Plate Bank Limited (100%)  
Londoncard SA Comercial Inmobiliaria y Financiera (100%)  
Mortgage Express Holdings Ltd (100%)  
Multiplic SA, Sao Paulo (100%)  
N Aitchisons Limited, Hatfield (100%)  
North Island Shipping Company Limited, Limassol (100%)  
Primeway SA (100%)  
RF Spencer and Company Limited, Kingston-upon-Thames (100%)  
Salutaire Developments Limited, London (100%)  
Sharedeal Limited, London (100%)  
Shoreline Limited, London (100%)  
South Island Shipping Company Limited, Limassol (100%)  
Target Holdings Limited, London (100%)  
TPN Collections Limited (100%)  
Trustcard Limited, London (100%)  
TSB Bank Properties Limited, London (100%)  
TSB Channel Islands Holdings (Guernsey) Limited (100%)  
TSB Commercial Finance Limited (100%)  
TSB Computer Services (Wythenshawe) Limited (100%)  
TSB Direct Holdings Limited, Brighton (100%)  
TSB England & Wales Limited, London (100%)  
TSB Homloans Limited (100%)  
TSB Printing & Design Services Limited (100%)  
TSB Property Services Limited (100%)  
West Island Shipping Company Limited, Limassol (100%)  
C Winther & Co Limited (100%)  
Affiliated Companies:  
The Mauritius Commercial Bank Ltd, Port Louis (10%)  
Nordlandsbanken ASA, Bodo (6.24%)

Search - 2 Results - banco anglo

<http://www.lexis.com/research/retr...5=d722c807ccb04a2d3e2422a30cd5c80e>

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 Terms: **banco anglo** ([Edit Search](#))

*The Bankers' Almanac Banco Anglo Colombiano*

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#### **Banco Anglo Colombiano**

Oficina 1601, piso 16, Torre B, Carrera 7 71-21, Bogota, Colombia

Tel: +57 1 2863155, 1 2863155 Fax: +57 1 2818648, 3419144, 1 3413811

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 Swift: ANGL CO BB; Reuters: BANG; Website: <http://www.bancoanglocolombiano.com>

LENGTH: 2017 words

#### **TABLE OF CONTENTS:**

Company Info  
 Executives  
 Correspondents  
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 Subsidiaries

#### \*\*\*\*\* COMPANY INFORMATION \*\*\*\*\*

**SHAREHOLDERS:** Lloyds TSB Group plc, Edinburgh (62%)  
 Local investors, 38%

**AUDITOR:** KPMG Peat Marwick

**EMPLOYEES:** 1,100

#### **DESCRIPTION:**

Private Stock Bank  
 Activity: Commercial Banking  
 Shares: Col\$ 10  
 Meetings: March  
 Meetings: September  
 Branches: Colombia 52

#### **HISTORY:**

Established in 1919 as a branch of Bank of London and South America Ltd. On December 31, 1976 transformed into a Colombian bank and name changed as above. Associated with Lloyds TSB Group Plc.

#### \*\*\*\*\* EXECUTIVES \*\*\*\*\*

David J Hutchinson, President  
 Nicholas J Bruce, Vice-President International & Credit  
 Francisco Moreno, International Trade & Foreign Correspondents  
 Lilia Hernandez, Documentary Credits

## \*\*\*\*\* CORRESPONDENTS \*\*\*\*\*

Amsterdam: Lloyds TSB Bank plc  
 Brussels: Lloyds TSB Bank plc  
 Buenos Aires: Lloyds Bank (BLSA) Ltd  
 Frankfurt am Main: Commerzbank AG  
 Frankfurt am Main: Dresdner Bank AG  
 Frankfurt am Main: Schroeder Muenchmeyer Hengst AG  
 Hamburg: Dresdner Bank Lateinamerika AG  
 Hong Kong: The Bank of New York  
 Hong Kong: Chase Manhattan Asia Ltd  
 Hong Kong: First Union National Bank  
 London: Lloyds TSB Bank plc  
 Madrid: Lloyds Bank (BLSA) Ltd  
 Miami: Bank of America NA  
 Milan: Banco Ambrosiano Veneto SpA  
 Munich: Bayerische Hypo-und Vereinsbank AG  
 New York City: The Bank of New York  
 New York City: The Chase Manhattan Bank  
 New York City: Citibank NA  
 New York City: First Union National Bank  
 Paris: Lloyds Bank SA  
 Sao Paulo: Lloyds TSB Bank plc  
 Stockholm: Skandinaviska Enskilda Banken AB (Publ)  
 Stockholm: Svenska Handelsbanken AB (publ)  
 Tokyo: Lloyds TSB Bank plc  
 Toronto: Bank of Montreal  
 Toronto: The Bank of Nova Scotia  
 Toronto: Royal Bank of Canada  
 Toronto: The Toronto-Dominion Bank  
 Vienna: SKWB Schoellerbank AG  
 Zuerich: UBS AG

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Senate Permanent Subcommittee  
On Investigations  
EXHIBIT # 59b

**Exhibit 59b.**

**Bank of New York documents**

**BRITISH BANK OF LATIN AMERICA MONTHLY ACCOUNT ACTIVITY**  
**AT BANK OF NEW YORK**  
**January 1998- December 1999**

DATE	OPENING BALANCE	DEPOSITS	WITHDRAWALS	CLOSING BALANCE
January 1998	\$213,454	\$40,133,745	\$43,583,173	\$283,057
February 1998	\$283,057	\$78,285,586	\$81,851,437	\$223,083
March 1998	\$223,083	\$67,867,385	\$69,162,634	\$330,289
April 1998	\$330,289	\$87,244,132	\$85,318,591	\$263,158
May 1998	\$263,158	\$59,968,296	\$62,207,011	\$428,085
June 1998	\$428,085	\$61,986,395	\$57,747,511	\$467,901
July 1998	\$467,901	\$24,912,043	\$25,147,687	\$636,206
August 1998	\$636,206	\$57,963,111	\$56,101,057	\$501,208
September 1998	\$501,208	\$109,213,034	\$115,092,113	\$222,904
October 1998	\$222,904	\$93,251,230	\$91,634,632	\$340,490
November 1998	\$340,490	\$66,367,458	\$67,654,369	\$355,848
December 1998	\$355,848	\$52,557,413	\$51,912,424	\$201,892
January 1999	\$201,892	\$25,841,407	\$26,426,143	\$417,358
February 1999	\$417,358	\$21,556,062	\$22,400,269	\$783,988
March 1999	\$783,988	\$77,097,833	\$83,362,990	\$270,128
April 1999	\$270,128	\$48,230,657	\$47,260,612	\$243,138
May 1999	\$243,138	\$42,193,127	\$42,107,758	\$128,750
June 1999	\$128,750	\$101,889,005	\$104,288,218	\$234,941
July 1999	\$234,941	\$48,646,448	\$53,890,943	\$190,446
August 1999	\$190,446	\$20,524,495	\$18,958,590	\$356,352
September 1999	\$356,352	\$71,930,300	\$70,778,186	\$209,060
October 1999	\$209,060	\$61,404,775	\$65,395,808	\$219,542
November 1999	\$219,542	\$151,528,274	\$150,150,064	\$204,778
December 1999	\$204,778	\$41,043,494	\$42,785,700	\$265,607
<b>TOTAL</b>		<b>\$1,511,635,705</b>	<b>\$1,535,217,920</b>	

Prepared by the U.S. Senate Permanent Subcommittee on Investigations, January 2001.

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United States Senate  
Committee on Governmental Affairs  
Correspondent Banking Survey

(1) Please provide your institution's name and address, the name and job title of a person who can answer questions about your survey responses, and his or her telephone number.

The Bank of New York  
One Wall Street  
New York, NY 10286

(10) Would your institution as a policy matter, establish a correspondent relationship with a bank --

(a) \_\_\_\_\_ that does not have a fixed physical presence in any location, such as a shell bank?

\_\_\_\_\_ Yes \_\_\_\_\_ No

\_\_\_X\_\_\_ Sometimes (please explain):

Some of our correspondent relationships may have off-shore booking locations which maintain accounts with The Bank of New York. However, all these relationships have head office or branches with physical locations.

(b) \_\_\_\_\_ whose only license requires the bank to operate outside the licensing jurisdiction?

\_\_\_\_\_ Yes \_\_\_X\_\_\_ No

\_\_\_\_\_ Sometimes (please explain):

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THE BANK OF NEW YORK  
NEW YORK'S FIRST BANK - FOUNDED 1784 BY ALEXANDER HAMILTON

DOROTHY A. KMETZ  
SENIOR VICE PRESIDENT

ONE WALL STREET, NEW YORK 10286

October 13, 2000

By Federal Express

Robert L. Roach, Esq.  
Counsel to the Minority  
Permanent Subcommittee on Investigations  
Committee on Governmental Affairs  
United States Senate  
193 Russell Senate Office Building  
Washington, D.C. 20510

Re: The Bank of New York

Dear Mr. Roach:

This letter responds to your fax of September 6, 2000 posing follow-up questions and requesting additional documents arising from our meeting on August 30, 2000.

These responses and attached documents contain confidential information regarding the customers of The Bank of New York ("BNY" or the "Bank") and confidential activities and internal procedures of the Bank in connection with banking services provided to its customers. The Bank requests that the Subcommittee treat this information as confidential.

Redacted information  
in Subcommittee Files



## THE BANK OF NEW YORK

## QUESTION 7:

*With respect to BoNY's response to the PSI's Correspondent Banking Survey, question 10(b). Is this an accurate response? Please elaborate.*

## RESPONSE:

The Bank's response to question 10(b) was accurate based upon our initial interpretation of the question. As a policy matter, the Bank does not establish correspondent relationships with banks that are only licensed to operate outside their licensing jurisdiction. Given our discussion on August 30th and the manner in which we now understand the Subcommittee interprets the question, our answer to question 10 (b) is revised as follows.

Sometimes. The Bank has relationships with banks licensed as Offshore Banking Units (OBUs). These banks may not conduct business with entities legally resident in the licensing jurisdiction. Examples include OBUs licensed in Bahrain, Bahamas, Cyprus and Panama. OBUs licensed by the regulator in those countries typically conduct business with commercial customers in the region. In some, but not all, cases these customers will also be licensed in that same country, but are "offshore" for tax purposes.

In some cases, OBUs are branches or subsidiaries of banks headquartered in other countries. In other cases, the parent bank is headquartered in the offshore market.

It is the Bank's policy to apply its KYC standards and evaluate the ownership, management, and reputation of the bank in question, as well as the regulatory environment of the licensing country.

## THE BANK OF NEW YORK

## QUESTION 9:

*How does British Bank of Latin America (BBLA) fit into the BoNY policy of not establishing a correspondence account with a bank whose only license requires the bank to operate outside the licensing jurisdiction?*

## RESPONSE:

Please see our response to Question 7 and Question 12. The Bank viewed BBLA as part of its overall relationship with the Lloyds Bank group.

## QUESTION 10:

*When did BoNY receive the complaint reference BBLA and the \$1.57 million forfeiture (June 1999?)*

## RESPONSE:

The Bank's Legal Process Unit first received the Amended Warrant of Arrest in Rem and Second Amended Complaint for Forfeiture in the BBLA matter on June 25, 1999. The Legal Process Unit then informed the Bank's Latin American Division of the BBLA matter later that same day.

## QUESTION 11:

*What is the interest rate being earned for the above mentioned \$1.57 million being held at BoNY?*

## RESPONSE:

The \$1.57 million deposit at the Bank earns interest at a floating rate. The floating rate for this call account investment is calculated each day and equals the Bank's base rate (the target federal fund rate) less 0.375%. From July 12, 1999 to the present, the floating rate for this account has ranged between 3.75% and 5.25%.

## QUESTION 12:

*How often did BoNY visit BBLA (Bahamas)? Were there "Call Memos" generated and if so please provide copies of the documentation to the PSI.*

## RESPONSE:

Prior to October 1998, BBLA maintained a physical presence in Bogota, Colombia. Regular visits were paid to the BBLA, Bogota office and the office of Banco Anglo Colombiano, in Bogota (now known as Lloyds TSB Bank, S.A.). Joint visits were often held. This is reflected in the 23 call reports we have located during the period 1994 to the present. (See Exhibit D.)

## THE BANK OF NEW YORK

## QUESTION 13:

*Please explain BoNY's interpretation of the degree of oversight by the Bank of England reference Lloyds Colombia (BBLA).*

## RESPONSE:

The Financial Services Authority ("FSA"), the UK regulatory body, has broad supervisory powers. The background of the FSA's current regulatory approach for the supervision of a bank's foreign subsidiaries is derived from the Basle Committee on Banking Regulations and Supervisory Practices. Based on the principles set forth by the Basle Committee, the FSA oversees the activities of foreign subsidiaries of UK banks (including those subsidiaries that are only partially owned). The FSA views the supervision of such subsidiaries' solvency as the joint responsibility of both the subsidiaries' host and the parent's regulatory authorities. While the FSA assumes that host authorities supervise the solvency of foreign subsidiaries operating in their territories, the FSA also exercises regulatory powers over such entities. The FSA makes assessments as to whether the operations of foreign subsidiaries affect the parent institution's solvency. In that assessment, the FSA reviews the liquidity and foreign exchange operations and positions of a bank's foreign subsidiaries.

Redacted information  
in Subcommittee Files

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THE BANK OF NEW YORK

Redacted information  
in Subcommittee Files

Sincerely,

A handwritten signature in black ink, appearing to be "Anthony" followed by a stylized monogram or initials.

(Attachments)

cc: Mr. Ross (Akin Gump Strauss Hauer & Feld LLP)  
Mr. Seymour (Sullivan & Cromwell)

BRITISH BANK OF LATIN AMERICA LIMITED  
 Associated with Lloyds Bank Plc  
 Incorporated in Nassau, Commonwealth of the Bahamas.  
 -----

Board of Directors. Anthony B. Howells, President  
 at 30th June 1995 Gerald P.W. Chishick, Vice President  
 Samuel P. Haven, Treasurer  
 Donald C. Campbell, Assistant Treasurer  
 Graham P. Dykes, Secretary  
 Sheila Ann Simms, Assistant Secretary

Authorized and paid up capital USD 5,630,000.-

Constituted in 1981 as a subsidiary of Banco Anglo Colombiano, Bogota, a 49% associate of Lloyds Bank Plc, under Colombian banking law. Banco Anglo Colombiano was founded in 1919 and wholly owned by capital from London until Colombian Law 55 of 1975, when 51% of the shares were listed on the Bogota stock exchange. The President of Banco Anglo Colombiano is David J. Hutchinson. 99% of the shares of British Bank of Latin America are held by SIAC-Sociedad Inversionista Anglo Colombiano, incorporated in Colombia in 1994 and owned 49% by Lloyds Bank Plc and 51% by a number of the shareholders of Banco Anglo Colombiano.

As at 31st March 1995 the leading balance sheet figures were;

Customer deposits	USD 28,963,103
Borrowing from banks	25,798,214
Accounts payable	2,441,320
Capital	5,630,000
Profits retained	1,190,874
 Liquid assets	 4,048,125
Loans and leases	57,562,171
Interest and instalments accrued	2,413,216

We also attach for information only the combined figures of Banco Anglo Colombiano and British Bank of Latin America as required by the Superintendencia Bancaria de Colombia under Resolución 55 of 1995 for supervisory purposes. British Bank of Latin America is supervised by the Central Bank of the Bahamas. Lloyds Bank Plc has substantial investments in both BBLA and BAC. All directors of BBLA are employees of Lloyds Bank International (Bahamas) Limited or of Lloyds Bank Plc. The auditors of BBLA are KPMG-Peat Marwick.

*filed - Both Banco Anglo Colombiano British Bank of Latin America*

Fax No. 255.5451

To: Roberto Brigard  
Vice Presidente  
Barclays Bank Plc  
Bogota

Date. 4 July 1995

From: David Hutchinson  
President  
Banco Anglo Colombiano  
Apartado Aereo 3532  
Bogota, Colombia

Fax No: 57.1.2818648  
or 2839142

SUBJECT: British Bank of Latin America  
Your letter of 15th June 1995.

We cannot issue the Comfort Letter that you designed-

one- the facts of the ownership are not correct. They are better. BBLA is not subject to the control of a Colombian bank, BAC, but is a parallel and complementary bank managed by Lloyds and its Colombian partners under Bahamian law and with a Lloyds board of directors.

two- the business directed to BBLA is quality controlled by BAC but legally independently checked by the BBLA board, as well as being inspected by the Lloyds Bank inspectors. BBLA cannot cause problems to BAC, nor is BBLA a mere appendage of a Colombian bank.

Not only is the quality of the shareholders of BBLA - which reflect the long term satisfaction of Lloyds with its banking business in Colombia- excellent, but BBLA is subject to the supervision in varying degrees of Bahamas, Colombia and the Bank of England.



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## THE LATIN AMERICA DIVISION

### CALL REPORT

#### BNY:

John Trum, VP  
Nancy S. Goodwin, VP  
Barbara Bennett, VP

#### CLIENT:

David Hutchinson, President  
Francisco Moreno, Gerente de Com. Ext. y Corresp.  
Natalia Camargo, Deputy Representative - BBLA  
Juan Carlos Hoyos, Cash Manager - BBLA

BANCO ANGLO COLOMBIANO /  
BRITISH BANK OF LATIN AMERICA  
BOGOTA, COLOMBIA

July 6, 1995 - Meeting  
July 11, 1995 - Breakfast

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#### TOPICS OF DISCUSSION

1. Marta Patiño was off getting married and Juan Carlos is leaving in two weeks for ING Bank.
2. David gave us a long dissertation on why Banco Anglo can no longer give any comfort letter for BBLA, and why one is no longer necessary. The Superintendencia considers BBLA a totally separate entity and as so, will not let people from Anglo even sit on the board. The idea is that the Superintendencia is trying to prevent an entity over which it cannot exert direct control from negatively affecting a Colombian bank. Nonetheless, the board is all Lloyds Bank people, BBLA is reviewed by the Bahamian authorities, and the Superintendencia requires that Anglo provide information on BBLA's portfolio, asset mix etc. anyway to get the complete picture of Anglo's total activities. In addition, the new Basle rules of 1/1/96 require the Bank of England to review any British bank holding of 20% or more for world-wide corporate risk, market risk, and capital adequacy in order to set Lloyds' capital requirements. Therefore, in David's estimation, BBLA is really being reviewed by the Bahamian authorities, the Bank of England, the board members from Lloyds and the Colombian Super which along with its capital increase to about \$6.8MM should allow us to increase the line. Also, BBLA should make \$2MM during '95 and the capital will grow to \$7.5MM by year end. We said we still could do nothing without the statements for 12/94. He gave us some March 31, 1995 figures and said the 12/94 audited statements were being reviewed now. (Francisco told us later that David was arguing with Peat Marwick in the Bahamas over some fine points, but the statements should be out next week.)
3. 99% of the shares of BBLA are held by Sociedad Inversionista Anglo Colombiana, incorporated in 1994 and owned 49% by Banco Anglo, 51% by the Colombian shareholders of Banco Anglo.
4. Since the new rules require Lloyds to set aside risk capital for Anglo/BBLA when it was not previously required, it would behoove them to purchase 100% and simply run the bank as Lloyds. However, since they would have to pay an extremely high price (calculated by David at 4x book), they are unlikely to do so until the price falls.
5. Nassau is really only in deposit taking and booking loans. A year ago they only had \$10MM in deposits; now they have \$28MM. Anglo does all the credit studies, and they have never had a write-off. Because of their size, all the large deals for multinationals or the biggest Colombians are done via Lloyds directly, but again the analysis is provided by Banco Anglo.
6. Natalia and Juan Carlos complained that they had been waiting since May 30 for their new ARP check books, and they could think of no excuse why it was taking so long. They also complained that when they request information on checks paid the previous day, they receive, instead, a summary of checks paid the previous month. We promised to investigate these two problems.
7. Natalia asked that only she, Marta, and Odila be allowed to give us payment instructions or request deposits. We asked that they update their signature book and give us written instructions about payments.

anglobbi

8. Francisco pushed for L + 3/8 for operations (as most top banks are doing). We said we could do this if it is large enough, and we are getting the L/C. He also gave us a copy of a proposal sent by the Bank of Montreal/Harris that offers them straight throughs at \$2.50 and books at \$1.25. We said that they should balance good service with price and consider that BNY is a leader in this business while Bank of Montreal is an unknown as well as the fact that we have a much wider correspondent network. We agreed, however, to review the pricing for F/T and to match Bank of Montreal's price of \$40 per reimbursement.
9. Francisco told us Banco Anglo made P 3.5MM in the first half of the year and that as of 3/31/95 the net worth was at \$35MM (including reserves, retained earnings and paid-in capital). He pushed for a line increase that would also include an O/D (not DOL) of \$2MM because traditionally Colombian companies are 2-3 days late paying. We said with this capital and our long-standing relationship, we would ask for a \$6MM line and a \$2MM additional O/D line. He also mentioned that they are active in FX with the major New York banks like Swiss and could use an FX line mostly for spot but with some forward availability. He wanted the names of the people to contact. Jesus Orjuela left the bank and now Luz Mireya Bretel is running FOREX.
10. Francisco pushed again for a line increase for BBLA during our breakfast and we said once we got the statements we would review them for a \$1.5 - 2MM line. However, they would make our job considerably easier if they started using us for L/C's which they have not done at all in the past.
11. The strategic plan for Anglo/BBLA is to develop a certain market niche, especially in the private banking area, i.e. like Citi, they will do more than just take deposits. They will analyze customers' asset and liability positions, their tax positions, their properties, give L/C's, lease financing, etc. (They claim to be #1 in this latter area). Before we could even discuss BNY's decision to get out of the Payable Through business, David launched into a long discussion calling this product key to the future of Banco Anglo. With this product, they can demand higher yielding operations from clients like leasing, capital goods imports (they are getting 3 year financing from various Europeans and Toronto Dominion), and fee income producing services, as well as longer term deposits in Nassau. Since the Superintendencia requires a long laundry list of information on each client to which they offer this product, it will be no problem for them to give us whatever we require, but they were quite insistent that they need us to continue to offer ARP and plan to have 200 customers eventually. They promised to send us the requirement of the Superintendencia in this regard.

#### ACTION

- A. Determine if we can make an exception and continue to offer Payable Through for Lloyds.  
(Request denied. D.A. Kmetz spoke to D. Hutchinson.)
- B. Get BBLA's 12/94 statements and review for line increase. (Predicated on getting L/C business, too).
- C. Review Anglo for \$6MM line, \$2MM O/D facility, \$3MM FXS, and \$2MM forward.

cc: D. Kmetz  
B. Bennett  
J. Trum  
D. Gilmore/M. Sehner/J. Koch  
F. Macia/File



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THE LATIN AMERICA DIVISION

CALL REPORT

BNY:

Dorothy A. Kmetz, SVP  
Nancy S. Goodwin, VP *NSG*  
John Trum, VP

CLIENT:

David Hutchinson, Presidente  
Francisco Moreno, Gerente Comercio Extr.

BANCO ANGLO COLOMBIANO  
BOGOTA, COLOMBIA

January 30, 1996

TOPICS OF DISCUSSION

1. Dinner at Cuatro Estaciones.
2. General political, economic discussion.
3. Nassau's results were excellent (a \$2.3MM profit on \$6.7 million in capital) as were Anglo's. This year, David expects the group to generate \$20-\$22 million.
4. All the Latin subs have been battling for years for better treatment from the parent i.e. the ability to offer their customers a wider range of investments and products at better pricing. Because of the excellent returns over the last few years, they have won the battle and are able to offer their clients accounts in Miami (e.g. payable through) and attentive service.
5. We reaffirmed our excellent relations.

ACTION

- A. None.

cc: D. Kmetz  
B. Bennett  
D. Gilmore/M. Sehnert/J. Koch

J. Trum  
File


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THE LATIN AMERICA DIVISION

CALL REPORT

BNY:

Nancy S. Goodwin, VP 

BRITISH BANK OF LATIN AMERICA  
BOGOTA, COLOMBIA

CLIENT:

Marta Patiño, Representative

February 6, 1996

TOPICS OF DISCUSSION

1. Marta had asked Amarilis Perez to give a demo of our microcash capabilities to numerous people from Banco Anglo. The idea is to use MCR for treasury business while keeping swift for L/C's and commercial pays. Alba Rojas is the VP Financiero that is in charge of the international treasury area as well. Unfortunately, there was a problem with the diskette.
2. Marta gave me the signed contract to pass on to Electronic Banking.
3. They need MCR because they do not have a good operating system for treasury. As we heard, Lloyds hates to spend a dime (preferring to take in dividends), and Anglo must, therefore, develop its own systems in house which takes three times as long. Lloyds is promising to be better now, but there is some skepticism even though the market, in general, has been emphasizing systems for the last year and a half and Anglo could lose business if it cannot offer comparable products.
4. According to Marta, Lloyds has not yet agreed to offer Payable Through services and they are reviewing the product of other banks, including Bankers Trust (which is really trying hard to re-enter the relationship field). So far, Lloyds has only promised to supply current accounts directly to Anglo's selected clients as well as the ability to give Anglo information on their positions.
5. BBLA's return was excellent this year, as we heard with net profits of almost \$2.3MM on capital of \$6.7MM.

ACTION

- A. Amarilis to find out the proper requirements for the diskette and follow up for demo.
- B. NSG to give Electronic Banking the contract. (Given to S. Petricek who passed it on.)

cc: D. Kmetz  
B. Bennett  
D. Gilmore/M. Sehnert/J. Koch

J. Trum  
R. Loop  
File


britbkl1a

3115

LATIN AMERICA DIVISION

CALL REPORT

BNY:

Barbara Bennett, VP  
John Trum, VP 

CLIENT:

Martha Patiño, Representante.

British Bank for Latin America  
Bogotá, Colombia

April 17, 1996

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TOPICS OF DISCUSSION

Together with their parent, Banco Anglo Colombiano, this is our most important account in Colombia. Our line is presently USD 500,000 but they would like us to increase it since they often have interesting transactions that they would like to send to us but can't because of the size of the line. The line shows an underutilization for two reasons: They like to keep it freed up so they can send interesting transactions and often BBLA transactions are re-labeled so that they can be processed through the larger Banco Anglo line. We also discovered that Martha was under the mistaken impression that the line was only available for L/C's.

Since they capitalize all earnings (USD 2 million in 1995), BBLA's capital now stands at USD 8 million. The German banks give them lines of between USD 2 and 3 million, Swiss Bank USD 3 million. Many banks give them larger group lines which can be used interchangeably by BBLA and Banco Anglo. This is especially true now that the Colombian banking law requires their results to be consolidated.

On housekeeping matters, they claim that they are still being charged for their payable through account. We promised to look into this. It turns out that Lloyds Bank — that they contacted since it is their parent — has decided that they do not want to handle small accounts. Therefore BBLA transferred this account to Bankers Trust. Martha, and others at other banks, noted that Bankers was trying to break into the commercial banking market again.

With regards to BBLA's operations, Martha explained that they did not have any past due loans. The reason being is that Banco Anglo only selects the best clients for BBLA. This is not to say that they never had past dues. In 1994 they made some poor investments that caused them to make provisions. Their loan portfolio stands at USD 60 million or 30% of total assets.

Toward the end of the meeting we asked to meet with some of their back office people. They have only 12 employees since they share services with Banco Anglo. In operation we met Irma Londoño who asked when Amarilis Pérez (from the Caracas office) would have the new Micro CASH Register to finish the installation of their new version of this program. She had tried to do this on February 2 but was unsuccessful. At this time we only promised to be on top of the matter. [On further investigation we found out that the latest version, 3.1 had a defect where it locks up the installation process of the Spanish version. It has been recommended to wait for a newer version, 3.2, which is supposedly free of this problem, and work together with IBM because of a defect in the Spanish DOS before we try to install the new version.]

ACTION

1. Check on whether BBLA was charged for Payable Through services after the "closing".
2. Follow-up that we install a workable version of receive Micro CASH Register at BBLA (and Banco Anglo) the minute it becomes available.

c.c.: D. Kmetz  
N. Goodwin

B. Bennett  
D. Gilmore/M. Sehnert/J. Koch

A. Pérez  
File

BNY Credit Division

April 18, 1997

British Bank of Latin America Ltd.

Nassau, Bahamas

Credit Rating & SummaryScore, following *Base Credit Policy Memorandum*, Appendix O, Addendum 1:

Performance: 2.0, External Support: 2.0, Combined: 4.0.

Net Risk Rating Score: 5.

Intra-Country Tier Ranking: (affiliate Banco Anglo Colombiano ranked Tier 2 in Colombia)

\$ 3,000M	- Total Proposed Marginal Risk
\$ 9,841M	- Subject's 12/31/96 Capital

Risk / Capital: 31%

British Bank of Latin America Ltd. ("BBLA") is affiliated with Banco Anglo Colombiano ("BAC"). Both belong to a holding company owned 51% by Colombian investors and 49% by Lloyds Bank International.

BBLA offers loan and deposit services to Colombian customers of BAC. The banks have separate boards, each with representatives of Lloyds. Bahamian authorities have primary regulatory oversight for BBLA, but Colombian authorities also receive asset information, and in 1996 the Bank of England will have pro-forma oversight for purposes of determining Lloyds' capital requirements. However, BBLA business activities are clearly driven by BAC requirements and day to day decisions emanate from Bogotá.

BBLA was sorely undercapitalized until the shareholders added \$2.6MM to equity in 1994. Subsequent earnings and a reduction of cash dividends helped boost equity to \$9.6MM by 12/31/96. However, 1996 asset growth also trimmed the 1995 capital to assets ratio from 12% to 9%. BBLA remains, by most measures, a small institution. As of 12/31/96, it relied on Lloyds Bank International, its 49% parent, for 25% of its trade funds.

The proposed \$3MM UFDT equals a substantial 31% of BBLA's 12/31/96 equity. BNY gets no comfort letter or guarantee from BAC or LBI. This represents a generous exposure for a small, offshore entity and is only advisable subject to three conditions:

- 1) Evidence of a satisfactory account experience to date.
- 2) Assurance from Banco Anglo Colombiano / LBI representatives that BBLA will retain sufficient earnings and stay adequately capitalized.
- 3) Followup receipt of BBLA's audited 1996 statements to make up for the absence of footnotes or disclosure of contingencies in the preliminary 1996 data submitted to date.
- 4) D. Gilmore to approve any transaction which brings total exposure over \$2MM.

## PROPOSAL

04/21/97

TO: INTERNATIONAL CREDIT COMMITTEE  
 FROM: Latin America Division Jairo Namur

Name of Borrower: BRITISH BANK FOR LATIN AMERICA  
 Location of Borrower: NASSAU,BAHAMAS  
 CID #: 90504-001-3  
 Guarantor(s): N/A  
 Present Exposure: \$1MM UFDT for up to 180 days  
 \$250M DAYLX  
 Proposed Exposure: \$3MM UFDT for up to 180 days  
 \$250M DAYLX  
 Years in Business: 16 years  
 Structure/Ownership: 49% Lloyds Bank, London  
 51% Various Colombian investors (250)  
 Lines of Business/%: Commercial Bank  
 Total Assets: US\$ (equiv.) 77MM Asset Yr: 96  
 Capital/Equity: US\$ (equiv.) 9.3MM Cap/Eq. Yr: 96  
 Borrower Rating: 4 Tier: Second  
 Country Ratings: BNY: 3 ICERC: Agency: S & P BBB-  
 PIM Revenue \$: 55M  
 Customer Since: 1993  
 Group Exposure: Banco Anglo Colombiano, Bogota \$7MM UFDT  
 Related BNY Exposure: N/A

NATURE OF PROPOSAL:

The Latin America Division recommends an increase in the UFDT facility from the current \$1MM to \$3MM.

ADDITIONAL BACKGROUND

Like Banco Anglo Colombiano, British Bank for Latin America is owned by the "Sociedad Inversionista Anglo Colombiano". The Sociedad Inversionista Holding Co. is owned 49% by Lloyds Bank London, and 51% by various Colombian investors. In practice British Bank is run as a complimentary bank to Anglo Colombiano which shares in decisions related to management appointments. Credit line management and lending approvals are administered by Banco Anglo's management. British Bank's board is made up almost entirely by Lloyds banks appointees. Because of such a diverse ownership the bank falls under the supervision of various parties. The local Bahamian authorities, the Bank of England, and the Colombian Superintendent of banks, all have supervisory authority.

Because of the tight business relationship that exists between Anglo Colombiano and British bank an internal decision to direct most of the trade business through British Bank was made. As a result we have been receiving great pressure to increase the size of our line to British Bank to accommodate the volume of business which normally was directed through Banco Anglo. Since we have not been able to accommodate this request to date we have lost a great amount of business as our credit line to Banco Anglo is severely underutilized. Our lack of commitment to increase the facility is starting to put a strain on our relationship with both banks who are responsible for almost 25% of our total PIM for last year.

CREDIT ANALYSIS COMMENTS

As noted in the credit analysts comments, prior to 1994 the bank was indeed undercapitalized. In 1994 a capital injection of \$2.6MM was added. At that time this additional capital injection was subject to the approval of the Colombian Superintendent of Banks. As is current practice for all Colombian owned institutions outside of the country, the Superintendent gave approval subject to the signing of an additional rider. This rider details that British Bank would conform to all significant prudential regulations

BNYSEN

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mandated by the Colombian Superintendent of Banks.

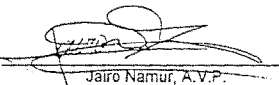
In Colombia all banks must meet internationally accepted Tier I and Tier II standards under the Cook agreement. British Bank is expected to fully comply with these requirements. Another result of the signing of this rider is that the Colombian Superintendent of Banks has full supervisory power and British Bank submits all financials for review.

As for our account experience to date, we have provided trade loans and confirmations of letters of credit to British Bank for amounts up to the full amount of their current \$1MM limit. We are fully satisfied with their account to date as repayment of their obligations has always been made in a timely manner. We therefore, recommend approval of the full \$3MM without restrictions on approving transactions that would result in exposure above \$2MM.

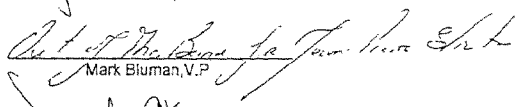
#### RECOMMENDATION

We recommend approval of these facilities based on British Banks performance and the ownership by an important BNY relationship (Lloyds bank). We also request approval based on the need to accommodate this important request from our most important relationship in Colombia. Approval would eliminate the threat of losing business to other competitors that have already placed more attractive offers on the table.

Prepared by:

  
Jairo Namur, A.V.P.

In Accord:

  
Mark Bluman, V.P.

In Accord:

  
Dorothy Kmetz, S.V.P.

THE  
BANK OF  
NEW  
YORK

INTERNATIONAL BANKING SECTOR

CUSTOMER PROFILE

NAME: BRITISH BANK LATINAMERICA  
ADDRESS: BOLAM HOUSE-2ND FLOOR: KING & GEORGE ST/POB 1262  
CITY: NASSAU COUNTRY: BAHAMAS  
CID: 9054040005 BNY COUNTRY RATING: 03  
DIVISION: Latin America BNY BORROWER RATING: 03  
BNY TIER: NT

PRODUCTS / SERVICES OFFERED

Credit Facilities: DCL,UTDT,AS OFFR FXPR

Credit Related:	Loans,DDA,Gross margin,Other credit	PIM Rev:	1,747
Trade Product:	Acceptances,Reimbursements	PIM Rev:	12,736
Cash Mgmt:	FT,Deposit services,Electronic banking	PIM Rev:	34,399
Securities Process:		PIM Rev:	
Other:	Excess balances	PIM Rev:	2,796
		Total PIM:	51,398

Last Credit Presentation Date: 07/28/99  
Last Profile Update: 12/16/99  
Next Review Date: 12/16/2000

Customer Since: 4/8/91

Years in Business: 1/1/83

Lines of Business: commercial off-shore bank, services include customer deposits, borrowings from related banks and its own capital

Organizational Structure: banking and trust corporation

Ownership: 100% subsidiary of Sociedad Inversionista Anglo Colombiano (Banco Anglo of Colombia who in turn is owned by Lloyds Bank 31.5%, the Serrano Group 11.5% and Other investors 7%)

Major Affiliations: Banco Anglo, Colombia  
Fiduciaria Anglo, S.A. (Fiduanglo)

Management: Martha Padino - Representative  
Natalia Camargo - Assistant Representative



Alba Lucia Bejarano - Assistant Representative

Regulatory Oversight: Central Bank of the Bahamas

Auditors: KPMG

Total Assets: US\$ (equiv.) 136.5MM Asset Yr: 12/31/98  
 Capital/Equity: US\$ (equiv.) 12.2MM Cap/Eq. Yr: 12/31/98

Agency Ratings: not rated

Nature of Relationship and Businesses Conducted:

Subject is the off-shore arm of Banco Anglo, Colombia, who is majority owned by Lloyds Bank UK. BELA maintains an active USD account on our books since 1991, for both treasury and commercial payment and time deposits. We extend sizable UFD and DCL facilities for their trade finance and account management requirements. BNY Caracas meets with subject's parent on a regular basis, knows management well and holds them in high regard. BNY NY maintains daily contact with BGL Bahamas.

Other Relevant Information:Bahamas:

The Government of the Commonwealth of The Bahamas (GCOB) continues its efforts to fulfill the objectives of the 1988 UN Drug Convention by adopting a strict anti-money laundering regime. The Central Bank of The Bahamas issued guidance notes for banks and directing the bankers' association to undertake self-monitoring, including conducting money laundering seminars for bank personnel. At the request of the Royal Bahamas Police Force (RBPf), USG agencies conduct money laundering and asset forfeiture seminars.

According to the Central Bank of Costa Rica, all Costa Rican Banks have to report transactions over \$10,000 and suspicious transactions to the Central Bank. The banks must have a designated compliance officer who ensures that when opening an account, customers provide references, id and source of funds information.

Colombia:

Current Know Your Customer legislation is covered by the Superintendent of Bank's regulations going back to 1993. Over the years the legislation has been modified and today it closely follows U.S. recommendations with regard to monitoring deposit levels of \$10,000 and above, filing suspicious activity reports, and tracking purchases of foreign currency. Purchases or sales of foreign currency for more than a \$100 equivalent must be reported to the Banco de La Republica (central bank), Superintendent of Banks, and the Ministry of Finance. The law also mandates the creation of compliance divisions within banks and requires that they develop specific training and action plans to avoid suspect activities. These action plans are monitored very closely by the Superintendent of Bank's auditing teams.

Recommended Follow-up:

During next visit to customer, obtain their internal KYC policies. Continue to develop cash management service business.

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Prepared by: Zuzana Desia *Zuzana Desia* Date: 12/20/99  
Country Manager  
Reviewed by: Mark Bluman Date:  
District Head  
Reviewed by: Dorothy A. Kneis *Dorothy A. Kneis* Date: 12/20/99  
Division Head

9054040005 - BRITISH BANK LATINAMERICA - BAHAMAS

## THE BANK OF NEW YORK CALL REPORT

Company Name: Banco Anglo Colombiano

Company Address: Bogota, Colombia

Customer/Prospect: Customer

Call Date: 01/27/2000

Call Method: Lunch

Author | Division: Mark Bluman Latin America Division

Bank of NY Attendees: Mark Bluman  
Jairo Namur

Company Attendees: J. Scott Donald, President  
Nicholas Bruce, VP International

## Call Objective:

## Synopsis of Call:

- BBLA was originally established not so much as an offshore booking vehicle for Banco Anglo Colombiano, but more to allow the local shareholders to receive dividends offshore. Over time, however, BBLA evolved more into an offshore booking vehicle. Over the past few years there have been a number of legal actions taken against the BBLA account with BNY. It turns out that beginning in 1997, a BBLA employee began to experience personal financial difficulties. This led to her involvement in criminal activity for personal financial gain, including skimming profits and laundering money. Her activities were finally discovered in 1999 and she was immediately terminated.
- As a result of Lloyds continued buyout of local shareholders, there is no longer a need for BBLA. The plan is to wind down BBLA in 3/00 and maintain it as a shell company until the outstanding legal matters are resolved.
- Banco Anglo Colombiano's 1999 results were a direct reflection of the difficult economic environment and restructuring of the bank. Banco Anglo Colombiano lost \$41MM on \$31MM of NW and \$257MM of assets. The bank cleaned up its balance sheet by taking heavy provisions. Currently PDL coverage is 85%.
- The bank has exited middle market lending and is focusing on the corporate business and personal banking. The bank is working on changing its name to Lloyds Bank TSB as a result of London's increasing ownership stake.
- Banco Anglo Colombiano has been experiencing Micro-Cash problems. Jairo indicated that he would stop by the office before leaving Colombia to discuss the issue with their tech support. Apparently, Banco Anglo Colombiano's tech support area did not properly install the software.
- We also advised that payments should be sent earlier in the day. Typically, payments are being sent at 5:45P that could result in failed payments if they need to stop for operator repair.

## Details &amp; Conclusion:

1. Follow up on status of BBLA wind down.
2. Insure Micro-Cash is properly installed

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**Paper Distribution:**

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<b>E-Mail Distribution:</b>	Dorothy A. Kmetz
	Zsuzsana Degia
	Ines Charlot
	Perry E. Palma Gil
	Jairo Namur
	Lawrence Timmins
	Nancy Goodwin
	Donald D. Gilmore
	John Koch
	Andrea Pfenning

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## THE BANK OF NEW YORK CALL REPORT

**Company Name:** British Bank of Latin America  
**Company Address:** Nassau, Bahamas  
**Customer/Prospect:** Customer  
**Call Date:** 03/24/2000  
**Call Method:** Telephone Call  
**Author | Division:** Mark Bluman Latin America Division  
**Bank of NY Attendees:** Mark Bluman  
**Company Attendees:** Nicholas Bruce, VP

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**Call Objective:**


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**Synopsis of Call:**

Lloyds Bank continues to buy out the local shareholders of both British Bank of Latin America (BELA) and Banco Anglo Colombiano. They currently own about 97% of each institution.

As a follow up to our visit in January 2000, the day to day activity of BBLA is almost gone. Beside the accounts frozen by the Bahamian authorities under the outstanding legal investigation, only 2-3 dormant accounts remain. Once the owners of these 2-3 accounts have been located, the accounts will be closed.

On the asset side, there is one loan outstanding. By the end of March, it will either be repaid or will be transferred to Lloyds Panama.

By the end of March, the balance sheet of BBLA should mainly consist of cash on deposit with another Lloyds entity and NW. The other residual items on the balance sheet will be associated to the accounts frozen by the Bahamian authorities. The wind down of non-frozen accounts is on target for month end.

Nicholas reconfirmed that the purpose of BBLA was originally to allow the local shareholders to receive dividends offshore. BBLA then became an offshore booking vehicle for Banco Anglo Colombiano. As Lloyds has been buying out the local shareholders the need for BBLA has diminished and the entity is being wound down.

Per Nicholas, J. Scott Donald, President Banco Anglo Colombiano and Kevin McKendry, Lloyds Bank NY legal counsel will be in Washington next week to appear before the Senate sub-committee to discuss the activities of BBLA.

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**Details & Conclusion:**


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**Paper Distribution:**

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E-Mail Distribution:	Dorothy A. Kmetz	:
	Zsuzsana Degia	
	Ines Charlot	
	Perry E. Palma Gil	
	Jairo Namur	
	Lawrence Timmins	
	Nancy Goodwin	
	Donald D. Gilmore	
	John Koch	
	Charles Rappold	

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**Exhibit 59c.**

**1999 and 2000 National Money Laundering  
Strategy excerpts**

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**THE NATIONAL  
MONEY LAUNDERING STRATEGY  
FOR 1999**

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September 1999



Redacted information  
in Subcommittee Files

*Objective 3: Identify and Target Major Money Laundering Systems*

**Action Item:** The Treasury-led Black Market Peso Exchange Working Group will continue and enhance efforts to disrupt the Black Market Peso Exchange system.

The Black Market Peso Exchange is the largest known money laundering system for drug money in the Western Hemisphere. It may be responsible for the laundering of as much as \$5 billion of narcotics proceeds each year. It also represents a prime example of the links, often unwitting, between the underground and above-ground economies. The system's mix of legitimate and criminal finance is particularly pernicious because of its impact on the trading economies of Colombia and the United States.

The Black Market Peso Exchange lets Colombian narcotics traffickers transform large quantities of drug dollars from the streets of American cities into pesos in their Colombian bank accounts. Its operation is a good example of the way a money laundering system works.

The Colombian trafficker sells the drug dollars in the United States to a peso broker at a discount. The broker pays the trafficker with pesos in Colombia. At that point, the trafficker has his money, and the broker becomes the money launderer.

The discount the broker receives reflects the fact that the broker, not the trafficker, takes the risk of getting the U.S. drug dollars into the financial system. The broker may try, for example, to deposit the money into bank accounts in amounts small enough to avoid notice; to buy large numbers of money orders at different locations; or to make the money look like it came from sales made by a legitimate business.

Once the currency has been placed in one or more of these ways, the broker sells the dollars, at a profit, to Colombians seeking dollars to purchase goods for resale in Colombia. The dollars do not have to be delivered to the Colombian importer; instead the broker simply transfers them to the American company with which the importer is dealing, as payment for the goods the importer is buying. Colombian import businesses come to the peso broker to avoid Colombian income taxes and import duties (which could be triggered if the businesses bought dollars through official channels) and because the brokers can offer them dollars at a discount from the officially-posted price by passing along some portion of the discount at which the dollars were purchased from the traffickers.

The Black Market Peso Exchange Working Group, organized by the Treasury's Under Secretary (Enforcement) in September 1998, brings together federal enforcement, banking, and related agencies in an effort to attack the peso exchange system.<sup>8</sup> The Working Group is overseeing a comprehensive program to restrict the peso exchange system from several directions at once and to assure that all available investigative, regulatory, and trade policy tools are used in that effort.

**Sub-Action Item:**     The Customs Service and FinCEN will continue to identify methods for placement of peso exchange funds into the financial system.

The peso broker must put street currency into the financial system as if he were a narcotics trafficker himself or arrange for its bulk shipment out of the United States. Customs, FinCEN, and other members of the Working Group will continue to analyze Suspicious Activity and other

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<sup>8</sup> The Working Group includes the Customs Service, FinCEN, IRS-CID, ATF, and the Office of Foreign Assets Control from Treasury; the DEA, the FBI, and the National Drug Intelligence Center from the Department of Justice; the Department of State; the Federal Reserve Board; the Office of the Comptroller of the Currency; and the U.S. Postal Inspection Service.

BSA reports, as well as information obtained through investigative action, in an effort to identify and alert financial institutions to transaction patterns denoting possible peso exchange money laundering.

**Sub-Action Item:**    **The Customs Service and FinCEN will enhance coordination of investigative efforts against the peso exchange system.**

The Money Laundering Coordination Center, discussed more fully below, has been established by the Customs Service, with assistance from FinCEN, in part to coordinate intelligence from operations involving peso exchange targets. Enforcement officials have been alerted to watch money laundering cases in which they are involved for traces of peso exchange activity, and similar requests have been made to Customs investigators and trade officials in the United States and abroad. These coordination efforts should be enhanced.

**Sub-Action Item:**    **The Administration will promote continued cooperation with the Government of Colombia.**

One of the motives of importers who buy dollars from the peso brokers is to avoid official currency purchase transactions in Colombia that trigger taxes and import duties. Such large scale avoidance of normal exchange mechanisms not only harms the attempts of the Colombian government to enhance fiscal stability through lawful trade, but also fuels a growing contraband market of smuggled goods -- for example, televisions, automobile parts, and computers -- whose sale at below market prices harms lawful merchants. U.S. and Colombian officials are cooperating on bilateral efforts to isolate the contraband market and the peso brokers who finance it.

**Sub-Action Item:**    **The Department of the Treasury, especially the Customs Service, and the Department of Justice will expand communications with U.S. exporters and the U.S. trade community.**

Peso exchange transactions raise difficult issues. The export transactions are ostensibly legal under U.S. law. But the dollars purchased by Colombian importers are, in some cases, delivered by the peso brokers to U.S. exporters in the form in which the funds have been laundered -- for example, as bundles of money orders or multiple bank or travelers' checks. Thus, some U.S. businesses accepting the dollar funds in exchange for the products they sell to Colombian buyers are arguably on notice that the funds may be the proceeds of illicit activity.

These facts all make it crucial for enforcement and trade authorities in the United States to alert U.S. exporters to the way peso exchange financing operates and the legal and business risks of accepting suspect payment for export goods or dealing with the contraband market. Expanding communications with the U.S. trade community is one of the most important tasks of the Working Group during the coming year.

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# THE NATIONAL MONEY LAUNDERING STRATEGY FOR 2000



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For sale by the U.S. Government Printing Office  
Superintendent of Documents, Mail Stop: SSOP, Washington, DC 20402-6328  
ISBN 0-16-050311-6

Redacted information  
in Subcommittee Files

*Objective 6: Identify and Target Major Money Laundering Systems*

Underground financial markets provide criminals an opportunity to conceal their proceeds, and ultimately to mingle them into the legitimate economy or to move them out of the country. The 1999 Strategy identified the Black Market Peso Exchange (BMPE) as one such important underground financial market and called for extensive action against it.

The BMPE is the primary money laundering system used by Colombian narcotics traffickers in repatriating perhaps as much as \$5 billion annually to Colombia. This is how it works:

First, a Colombian drug cartel arranges the shipment of drugs to the United States. The drugs are sold in the U.S. for U.S. currency which is then sold to a Colombian black market peso broker's agent in the United States. The U.S. currency is sold at a discount because the broker and his agent must assume the risk of evading the BSA reporting requirements when later placing the U.S. dollars into the U.S. financial system.

Once the dollars are delivered to the U.S.-based agent of the peso broker, the peso broker in Colombia deposits the agreed upon equivalent in Colombian pesos into the cartel's account in Colombia. At this point, the cartel has laundered its money because it has successfully converted its drug dollars into pesos, and the Colombian broker and his agent now assume the risk for integrating the laundered drug dollars into the U.S. banking system. This is usually accomplished through a variety of surreptitious transactions. Having introduced the dollars into the U.S. banking system, the Colombian black market peso broker now has access to a pool of laundered U.S. dollars to sell to Colombian importers. These importers then use the dollars to purchase goods, either from the U.S. or from other markets, which are transported to Colombia, often via smuggling, in order to avoid Colombian laws and customs duties.

The BMPE Working Group -- overseen by the Treasury Under Secretary for Enforcement -- brings together federal enforcement, banking, and other agencies in an effort to dismantle the BMPE system. The BMPE Working Group continues to develop comprehensive and integrated plans to attack the peso exchange system from several directions simultaneously. In addition, the BMPE Working Group's multi-agency representatives work to ensure that all available investigative, regulatory, and trade policy tools are brought to bear on this effort.

**Action Item 1.6.1:** The Department of Treasury will intensify and expand efforts to increase the business community's education and awareness of the Black Market Peso Exchange System.

**Lead:** Deputy Assistant Secretary for Enforcement Policy, Department of the Treasury.  
Chief, Asset Forfeiture and Money Laundering Section, Department of Justice.

**Goal for 2000:** Develop a Business-Government Outreach program to engage the business community in the attack on the BMPE.

**Milestones:** By April, the Attorney General, Deputy Secretary and Deputy Attorney General will meet with senior officials of companies whose products are vulnerable to the BMPE system. Additionally by April, the Departments of the Treasury and Justice will identify major trade associations whose membership includes companies whose products are vulnerable to the BMPE system, and schedule presentations on the BMPE at their annual meetings. By June, the Customs Service's Money Laundering Coordination Center, utilizing trade and investigative data, will develop a program to identify U.S. exporters that continue to be manipulated by the BMPE system, and will focus outreach and education. By July, the BMPE Working Group will develop and implement a Business-Government Partnership Program designed to promote the business community's education and awareness of the BMPE system and to jointly develop programs that will insulate their companies from this money laundering system.

Essential to the continued operation of the BMPE is the peso brokers' ability to have drug proceeds deposited in the U.S. financial system and to use these proceeds to pay for U.S. trade goods that are then smuggled into Colombia. To dismantle the BMPE, we must reach out to the business community, particularly those sectors of industry whose products are vulnerable to this system, and engage them in our attack on the BMPE. We must intensify our efforts to educate the business community on the operation of the BMPE system and to make them aware of BMPE activity.

The creation of a business-government partnership is a critical piece of our strategy to disrupt the BMPE. The importance of this partnership will be emphasized when the Attorney General, Deputy Secretary and Deputy Attorney General meet in April with senior officials of companies whose products are vulnerable to the BMPE system. The purpose of the meeting will be to explain how the BMPE operates, outline efforts to eliminate it, and solicit views on public-private partnership efforts that might be taken to combat this form of money laundering. Moving forward, we will continue to solicit the business community's thoughts and suggestions on domestic and international measures that government and industry might undertake to combat the BMPE.

**Action Item 1.6.2:** Law Enforcement Agencies, working in conjunction with the Money Laundering Coordination Center, will continue to identify the methods used for placement of peso exchange funds into the financial system.

Lead: Assistant Commissioner for Investigations, U.S. Customs Service,  
Department of the Treasury.

Goal for 2000: Develop a procedure for conducting strategic intelligence to identify emerging trends in the BMPE placement system.

Milestones: The U.S. Customs Service's Money Laundering Coordination Center (MLCC), will (i) by April conduct strategic analysis of operational and financial intelligence to identify the most common methods for placement of narcotics proceeds into the financial system, (ii) by May, complete an analysis of SARs and other BSA information that document alleged BMPE violations, and (iii) by August, identify the geographic areas of businesses and individuals that receive the bulk of BMPE dollars.

The peso broker must arrange for the placement of street currency into the financial system or for its bulk shipment out of the United States. Customs, FinCEN, USPIS, IRS-CI and other members of the BMPE Working Group will continue to analyze operational intelligence, postal money order data, SARs, and other BSA information in an effort to identify transaction patterns of money laundering organizations. The BMPE Working Group members will continue their outreach to alert both the business and banking industry of emerging trends in the BMPE and emerging money laundering systems.

**Action Item 1.6.3:** The Money Laundering Coordination Center will enhance coordination of investigative efforts against the peso exchange system.

**Lead:** Assistant Commissioner for Investigations, U.S. Customs Service, Department of the Treasury.

**Goal for 2000:** Expand interagency coordination of BMPE.

**Milestones:** By August, the BMPE Working Group will establish interagency protocols for developing and forwarding potential BMPE investigative leads.

The Money Laundering Coordination Center will continue to collect and coordinate intelligence from operations involving peso exchange targets. As an outgrowth of the BMPE Working Group, the USPIS and Treasury Department's Office of Foreign Assets Control (OFAC) are now working in partnership with the MLCC to more readily identify and more fully exploit BMPE targets.

**Action Item 1.6.4:** The Administration will promote continued cooperation with the Governments of Colombia, Aruba, Panama, and Venezuela.

**Lead:** Deputy Assistant Secretary for Enforcement Policy, Department of the Treasury.

**Goal for 2000:** Establishment of an International BMPE Task Force of experts from Colombia, Aruba, Panama, Venezuela, and the United States that will examine the BMPE, as a money laundering system, with a view toward reporting its findings and recommending policy options to senior government officials from the respective jurisdictions.

**Milestones:** The first meeting of the Task Force should occur by June, with follow-on meetings in three to four month intervals. By October, the BMPE Task Force should be fully operational.

The U.S. Interagency BMPE Working Group brings together federal enforcement, banking, and related agencies in an effort to attack the peso exchange system. It oversees a comprehensive program to restrict the peso exchange system from several directions at once and to ensure that all available investigative, regulatory, and trade policy tools are used in that effort. This comprehensive program includes significant international initiatives, including close cooperation with Colombia. Cooperation between the U.S. and Colombia is critical to U.S. counter-narcotics policy and our strategy to combat narcotics-related money laundering. The importance of this bilateral relationship was demonstrated on January 10, 2000, President Clinton announced a \$1.28 billion emergency aid program for Colombia.



The International BMPE Task Force will enhance the cooperation between the governments of Colombia, Aruba, Panama and the U.S. in combating the BMPE. The Task Force as proposed establishes another concrete step that all of the governments most directly affected by the BMPE can take to broaden communication and cooperation, including enhanced support for law enforcement efforts.

The Task Force would comprise a Senior Officials Group and an Experts Working Group. The Senior Officials Group would include senior level officials appointed by each participating country and will give overall policy direction. The Experts Working Group would include no more than six banking, law enforcement, financial, trade, academic, or commercial experts from each jurisdiction, meet at least four times, and report findings and recommendations to the Senior Officials Group no later than October 1, 2001.

Redacted information  
in Subcommittee Files

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Senate Permanent Subcommittee  
On Investigations  
EXHIBIT # 59d

**Exhibit 59d.**

**Operation Casablanca  
and  
Operation Juno documents**

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA,	)	
c/o United States Attorney's Office	)	
Judiciary Center Building	)	
555 4th Street, N.W.	)	
Washington D.C. 20001,	)	
	)	
Plaintiff,	)	
	)	Civil Action No. 98-0434(NHJ)
V.	)	
	)	
PROCEEDS OF DRUG TRAFFICKING	)	
TRANSFERRED TO CERTAIN FOREIGN	)	
BANK ACCOUNTS,	)	
	)	
Defendants.	)	

AMENDED WARRANT OF ARREST IN REM

TO: THE ATTORNEY GENERAL OF THE UNITED STATES OR HER DULY AUTHORIZED REPRESENTATIVE - -  
Greetings:

WHEREAS a Complaint for Forfeiture has been filed in the United States District Court for the District of Columbia, on the 13th day of February, 1998, (as amended on May 18, 1998 and April 16, 1999) captioned as above, praying that process issue for the arrest of property that is the subject of this action, namely, a certain amount of laundered drug proceeds deposited in the following bank account:

U.S. \$1,570,000.00 OF FUNDS IN ACCOUNT NO. 8900046090,  
IN THE BANK OF NEW YORK, WHITE PLAINS, NEW YORK,  
DEPOSITED IN THE NAME OF THE BRITISH BANK OF LATIN AMERICA

for the reasons and causes stated in the amended complaint. The complaint also prays for condemnation and disposition of the property according to law, at the conclusion of the proceedings for the reasons mentioned in the complaint.

You are hereby commanded to request that the proper authorities restrain the defendant property, prevent the sale, transfer, or alienation of the defendant property, and to detain it in their custody during the pendency of this proceeding or until further order of this Court.

You are also hereby commanded to give due notice that all persons claiming an interest in the defendant property or having anything to say why the property should not be condemned and disposed of pursuant to the prayer of the Complaint for Forfeiture, must file their claims pursuant to Rule C(6), Supplemental Rules for Certain Maritime and Admiralty Claims, within ten (10) days after the execution of this process, or actual notice of this action, whichever occurs first, and must serve their answers within twenty (20) days after the filing of their verified claims, all with the clerk of this Court. You are also hereby commanded to make prompt return on this process in this Court after it is executed.

Additional procedures and regulations regarding this forfeiture action are found at 19 U.S.C. § 1602-1619, and Title 21, Code of Federal Regulations (C.F.R.), Sections 1316.71-1316.81. All persons and entities who have an interest in the defendant property may, in addition to filing a verified claim or in lieu of the filing of a verified claim, submit a petition for remission or mitigation of the forfeiture for a non-judicial determination of this action pursuant to 28 C.F.R. Part 9.

Issued this 23 of June, 1999.

NANCY MAYER-WHITTINGTON, CLERK  
U.S. District Court

By:

*Jackie Innes*  
Deputy Clerk

Attorney for Plaintiff:  
Stefan O. Cassella  
Assistant Chief  
Asset Forfeiture and Money  
Laundering Section  
P.O. Box 27322  
McPherson Square  
Washington, D.C. 20038

3140

THE  
BANK OF  
NEW  
YORK

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LATIN AMERICA DIVISION

TO: Nicolas J. Bruce, Vicepresidente Internacional  
Banco Anglo Colombiano  
571-~~341-2144~~  
214-5091

FROM: Mark Bluman, Vice President

PAGES: 5

DATE: June 25, 1999

RE: British Bank of Latin America account 8900046090

Pursuant to Amended Warrant of Arrest in Rem in Civil Action No. 98-0434 (NHJ), we were legally compelled to, and have, debited British Bank of Latin America account 8900046090 in the amount of \$1,570,000.00. Your account has since returned to normal operation.

As part of this fax, we enclose a copy of the Amended Warrant of Arrest in Rem in Civil Action No. 98-0434 (NHJ).

If you have any questions, please call me at 212-635-8637.

Regards,



3141

FAX

To: Mark Bluman  
Vice President, Latin American Division  
Bank of New York, New York  
Fax No. 1-212-635-8365

*British Bk of  
Latin America*

From: N.J. Bruce  
Vice President, Corporate Banking  
Banco Anglo Colombiano, Bogota  
Fax No. 57-1-317-5169

Date: 15th July 1999

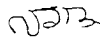
Re: BBLA - Embargoed Funds

I refer to our conversations on this on June 25<sup>th</sup> just prior to my departure on vacation! During my two weeks away I know that some progress has been made on the legal front, with Scott Donald, our BAC president plus the BBLA representative travelling to visit the Justice Dept people in Washington.

My question is rather on an administrative/operational point. Are you able to pay BBLA interest on the embargoed amount? If so, at what rate? Can this interest be paid into the normal current account, or does it have to be held on a side account, or even added to the blocked deposit itself?

Grateful for your prompt response

• Thanks and regards



N.J. Bruce

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA

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UNITED STATES OF AMERICA, )  
c/o United States Attorney's )  
Office, )  
Judiciary Center Building )  
555 4th Street, N.W. )  
Washington D.C. 20001, )

Plaintiff, )

v. )

PROCEEDS OF DRUG TRAFFICKING )  
TRANSFERRED TO CERTAIN )  
FOREIGN BANK ACCOUNTS, )

Defendants. )

H. MAYER-WINTERTON  
CLERK  
U.S. DISTRICT COURT  
DISTRICT OF COLUMBIA

Civil Action No. 98-0434(NHJ)

MOTION FOR LEAVE TO FILE SECOND AMENDED  
COMPLAINT AND SERVE LIMITED DEFENDANTS AND/OR CLAIMANTS

COMES NOW the UNITED STATES OF AMERICA, by and through its undersigned attorneys, and, pursuant to Rule 15(a) of the Federal Rules of Civil Procedure, moves this Honorable Court for leave to file a Second Amended Complaint in this matter, and, pursuant to Rule 5(a) and (c) of the Federal Rules of Civil Procedure, to serve the Second Amended Complaint only on those parties affected by these mostly clerical amendments.

This litigation seeks the forfeiture of almost one hundred bank accounts located in the United States and sixteen foreign countries. Unfortunately, due to clerical and factual errors, several bank accounts listed in the Original and First Amended Complaints were incorrectly identified. The United States brings this motion to amend


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the Complaint to correct these deficiencies and respectfully requests that, at this time,  
the United States serve only those parties affected by the amendments.

Respectfully submitted,

WILMA A. LEWIS  
United States Attorney

ROBERT E.L. EATON, JR. DC BAR #074625  
Assistant United States Attorney  
LINDA OTANI MCKINNEY, DC BAR #416548  
Assistant United States Attorney

  
STEFAN D. CASSELLA,  
Assistant Chief  
CYNTHIA STONE  
Trial Attorney  
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Asset Forfeiture and  
Money Laundering Section  
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Telephone: (202) 514-1263

Attorneys for Plaintiff  
UNITED STATES OF AMERICA

1. British Bank of Latin America Accounts

In the First Amended Complaint, the sum of \$1,570,000 was described as comprising seven different accounts being held at the British Bank of Latin America ("BBLA") in Colombia. See First Amended Complaint for Forfeiture at 11. Plaintiff has since received information that the true and correct location of the \$1,570,000 is Account #8900046090 at the Bank of New York, and seeks to amend its First Amended Complaint for Forfeiture to reflect this location.

As recited in the First Amended Complaint, funds in the amount of \$1,570,000 were transferred to BBLA in connection with the two undercover operations. These funds represented cash pick-ups of drug proceeds deposited into an undercover bank account by undercover agents. Pursuant to instructions from drug traffickers, the undercover agents transferred the funds by wire to the account held by BBLA at the Bank of New York for the designated beneficiaries at BBLA. It originally appeared that BBLA had transferred the money, in the normal course of business, to a branch in Bogota, Colombia. However, since the filing of the First Amended Complaint, plaintiff has discovered that the BBLA Colombia location is merely a representative office. See Affidavit of David Nicoll, ¶¶ 4, 9. No funds are kept on deposit at BBLA in Colombia. To the contrary, all funds at issue here are maintained at the Bank of New York in Account #8900046090. This account consists of funds attributable to many BBLA account holders. In other words, rather than using its Bank of New York account as a correspondent account through which beneficiary funds passed on their way to an account at a BBLA facility, BBLA allowed the funds to remain on deposit at the Bank of New York account. Account holders would then conduct transactions through the



BBLA representative offices in Bogota where records were kept of the amount deposited on behalf of each account holder.

Thus, the more accurate way of describing the \$1,570,000 subject to forfeiture is to identify such funds as being held on deposit in the BBLA account at the Bank of New York on the accounts of the seven designated beneficiaries. No claims or answers have been received in this action to date; therefore, amending the complaint to reflect the true location of currency will not prejudice any party. The owner of the funds in the Bank of New York account, of course, is BBLA. If the court grants the motion to amend the complaint, the government will send notice to BBLA of its right to oppose the forfeiture action.

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA,	)	
c/o United States Attorney's	)	
Office	)	
Judiciary Center Building	)	
555 4th Street, N.W.	)	CIVIL NO. 98-CV-434(NHJ)
Washington, D.C. 20001,	)	
	)	
Plaintiff,	)	
	)	
v.	)	
	)	
PROCEEDS OF DRUG TRAFFICKING	)	
TRANSFERRED TO CERTAIN	)	SECOND AMENDED
FOREIGN BANK ACCOUNTS,	)	COMPLAINT FOR FORFEITURE
	)	
Defendants.	)	
	)	

VERIFIED COMPLAINT FOR FORFEITURE IN REM

The United States of America, through its undersigned attorneys, respectfully states as follows:

1. This is a civil action in rem brought to enforce provisions of 18 U.S.C. § 981(a)(1)(A), which provides for the forfeiture of any property involved in or traceable to property involved in a violation of the anti-money laundering provisions of 18 U.S.C. §§ 1956 and 1957. The Verified Complaint was originally filed Under Seal on February 13, 1998. The First Amended Complaint was filed on May 19, 1998. This is the Second Amended Complaint.
2. This Court has subject matter jurisdiction over this action by virtue of 28 U.S.C. §§ 1345 and 1355(a) and 18 U.S.C. § 981(a)(1)(A).

3. Venue is appropriate in this District pursuant to 28 U.S.C. § 1355(b)(2) because the defendant properties are located in foreign countries and have been, or will be, detained or seized pursuant to legal process or competent authority of foreign governments. Upon the filing of the original Complaint, the plaintiff sought the issuance of warrants of arrest in rem for funds located in certain foreign bank accounts – the defendant properties – and will transmit the applicable warrants to the Central Authorities of each foreign government pursuant to such bilateral or multilateral legal assistance agreements as do, in each case, exist so that the defendant properties could be detained or seized on this Court's behalf and thereby brought within the jurisdiction of this Court. To the extent that additional or revised warrants are necessary, the government will seek the issuance of such warrants, and will cause them to be transmitted to the appropriate foreign governments.

4. The defendant properties are more particularly described in the tables following paragraphs 6(g) and (h). For each foreign bank account listed in such tables, the defendant property consists of the total amount of laundered funds transferred to such account on the date(s) set forth in the tables.

5. Based on the information set forth in paragraph 6, the defendant properties are subject to forfeiture pursuant to 18 U.S.C. § 981(a)(1)(A) because they represent property involved in transactions or attempted transactions in violation of Sections 1956 and 1957 of Title 18, United States Code, or are traceable to property involved in such transactions. To the extent that the funds presently in the foreign bank accounts to which the laundered funds were transferred are not directly traceable to the property

involved in the violations of Sections 1956 and 1957, they represent identical property found in the same place or account from which the property involved in the offense was removed, and are therefore subject to forfeiture pursuant to 18 U.S.C. § 984.

6. As set forth in the Declarations of Special Agents Anne Littleton and Stephen M. Perino of the United States Customs Service, which Declarations are incorporated by reference herein, the laundered funds are subject to forfeiture under Sections 981 and 984 for the following reasons:

a. Between 1995 and May, 1998, the United States Customs Service conducted undercover operations called Operation Casablanca and Operation Check Mark in which undercover agents and confidential reliable informants posed as money launderers willing to launder the proceeds of drug trafficking for representatives of Colombian and Mexican drug traffickers.

b. The principal contacts for the undercover operation were Oscar Armando SAAVEDRA and Gustavo CHAVARRIAGA, professional money launderers for the Cali drug cartel in Cali, Colombia, and Victor Manuel ALCALA-NAVARRO (a/k/a "the Doctor"), a manager and professional money launderer for the late Amado CARRILLO-FUENTES and his drug organization in Juarez, Mexico.

c. On numerous occasions from late 1995 through May, 1998, SAAVEDRA, CHAVARRIAGA, ALCALA-NAVARRO, and their criminal associates directed the undercover agents and confidential reliable informants to pick up bulk cash constituting the proceeds of drug trafficking, i.e. violations of 21 U.S.C. § 841, and violations of foreign drug offenses described in 18 U.S.C. § 1956(c)(7)(B), in various places in the

United States and abroad. In particular, from the beginning of the undercover operation through November 13, 1997, SAAVEDRA and/or his criminal associates directed the agents and informants to pick up more than \$33 million in bulk cash representing drug proceeds in Los Angeles, Chicago, New York and other places on 48 different occasions. Likewise, CHAVARRIAGA and/or his criminal associates directed the agents and informants to pick up more than \$8.3 million in bulk cash representing drug proceeds on 7 different occasions. Finally, ALCALA-NAVARRO and/or his criminal associates directed the agents and informants to pick up more than \$26 million in bulk cash representing drug proceeds in Chicago and other places on at least 17 different occasions.

d. On each occasion after a cash pick-up was made, the agents and informants laundered the funds by depositing them into an undercover bank account and by making a wire transfer of funds to specified bank accounts in the United States and abroad. In the case of the funds destined for foreign bank accounts, which are the laundered funds subject to forfeiture in this Complaint, the agents and informants would generally deposit the bulk cash in an undercover bank account and then, pursuant to the instructions received by fax or otherwise, transfer the money by wire to a bank in the United States for the further credit of a particular beneficiary or beneficiary bank account at a foreign bank that maintained a corresponding relationship with the U.S. bank. In this fashion, the drug proceeds were converted from bulk cash in the United States to funds on deposit in foreign banks.

e. In addition, between June 1996 and May 1998, ALCALA-NAVARRO introduced the confidential informant and undercover agents to Mexican bankers who have willingly laundered funds through Mexican banks as part of Operation Check Mark. Between November 1, 1996 and May 18, 1998, Operation Check Mark laundered more than \$67 million through the Mexican banks. ALCALA-NAVARRO received a commission of between 3.5 and 4 percent on each money laundering transaction, which commissions totaled more than \$2.3 million. ALCALA-NAVARRO shared a portion of his commission with the banker involved in each respective transaction. As described in paragraph 6(h), a portion of the commissions was transferred by wire to overseas bank accounts at ALCALA-NAVARRO's direction.

f. The transfers of the drug proceeds from the drug traffickers to the undercover agents, and the subsequent transfers of the laundered funds from the undercover bank accounts, through the corresponding banks, and to the foreign banks, for the credit of the beneficiaries or beneficiary bank accounts, constituted violations of the following federal statutes:

i) 18 U.S.C. § 1956(a)(1)(B)(i), which makes it an offense to conduct or attempt to conduct a financial transaction affecting interstate and foreign commerce involving the proceeds of specified unlawful activity, to wit: drug trafficking, knowing that the property involved in the transaction constitutes the proceeds of some form of unlawful activity, and knowing that the transaction was intended to conceal and disguise the source, ownership, nature, location and control of the proceeds of the specified unlawful activity;

ii) 18 U.S.C. § 1956(a)(2)(B)(i), which makes it an offense to transmit, transport and transfer funds from a place in the United States to a place outside of the United States, knowing that the funds involved in the transmission, transportation or transfer represent the proceeds of some form of unlawful activity, and knowing that the transmission, transportation or transfer is designed to conceal and disguise the source, ownership, nature, location and control of the proceeds of specified unlawful activity;

iii) 18 U.S.C. § 1957, which makes it an offense knowingly to engage or to attempt to engage in a monetary transaction by, through or to a financial institution affecting interstate and foreign commerce, where the transaction involves criminally derived property having a value greater than \$10,000, and where the property is in fact the proceeds of specified unlawful activity, to wit: drug trafficking; and

iv) 18 U.S.C. § 1956(h), which makes it an offense to conspire to commit any offense described in Sections 1956 and 1957.

g. In February 1999, SAAVEDRA pled guilty in the Central District of California to a violation of 21 U.S.C. § 841 in connection with the above-described conduct. In March 1999, ALCALA-NAVARRO pled guilty in the Central District of California to numerous violations of Section 1956 in connection with the above-described conduct.

h. The violations described in sub-paragraph (f) took place on the occasions particularly described in the following tables. Each entry on the first 3 tables describes a separate transaction whereby the undercover agents and confidential reliable informants transmitted funds at the direction of the drug traffickers or their agents following a pick-up of drug proceeds. For each transaction, the table lists the amount involved in the

money laundering offense, the foreign bank receiving the transferred funds, the date of the transfer, and the name and/or the account number of the ultimate beneficiary into whose account the drug proceeds were deposited. The transactions are grouped first according to the country in which the foreign bank is located, and then according to the name of the foreign bank. For each set of transactions involving a given foreign bank account that received funds on more than one occasion, the table provides a subtotal, indicating the total amount of laundered funds transferred to that bank account, which amount is the amount subject to forfeiture in the Complaint.



COUNTRY	BANK	ACCOUNT NO.	DEBITOR/PAYEE	DATE	AMOUNT
United States	The Bank of New York	8900046090	British Bank of Latin America, FFC account No. 0019107928	12/04/95	\$190,000.00
United States	The Bank of New York	8900046090	British Bank of Latin America, FFC Jaime Trujillo	12/03/97	\$150,000.00
United States	The Bank of New York	8900046090	British Bank of Latin America, FFC Piedad de Hoyos	12/03/97	\$150,000.00
United States	The Bank of New York	8900046090	British Bank of Latin America, FFC Proenfar, S.A./ Parowan Group, Inc.	12/03/97	\$300,000.00
United States	The Bank of New York	8900046090	British Bank of Latin America, FFC Amarey Ltda/Nova Medical	12/15/97	\$80,000.00
United States	The Bank of New York	8900046090	British Bank of Latin America, FFC Parowan Group Inc./ Proenfar, S.A.	12/15/97	\$500,000.00
United States	The Bank of New York	8900046090	British Bank of Latin America, FFC Jaime Trujillo	03/12/98	\$200,000.00
			Subtotal		\$1,570,000.00
Uruguay	Israel Discount Bank L.A.	1233874	Sawyer International, Ltd.	12/22/97	\$26,307.00
Venezuela	Banco Mercantil	8011057790		6/10/96	\$128,500.00
Venezuela	Banco Provincial	04414640A	Oscar Armando Saavedra	8/8/96	\$2,000.00
Venezuela	Banco Union	Unknown	Invercred Financial Services	8/7/96	\$62,000.00
Venezuela	Banco Union Caracas	086-35896-9	Jairo Marquez	2/14/97	\$98,950.00

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JUL-01-99 12:29 From: CURTIS, WALLACE - PREVOST, COLT & MISLE

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UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA  
c/o United States Attorney's Office  
Judiciary Center Building  
555 4th Street, N.W.  
Washington, D.C. 20001

Plaintiff,

v.

PROCEEDS OF DRUG TRAFFICKING  
TRANSFERRED TO CERTAIN FOREIGN  
BANK ACCOUNTS,

Defendants.

Civil Action No. 98-0434 (NHJ)

**CLAIM**

The British Bank of Latin America Limited, by Natalia Camargo, its authorized representative, hereby makes claim to the Defendant properties, specifically, to U.S.

\$1,570,000.00 of funds in Account No. 8900046090, in the Bank of New York, White Plains, New York, deposited in the name of the British Bank of Latin America Limited.

Dated: July 1, 1999

**BRITISH BANK OF LATIN AMERICA  
LIMITED**

By: 

Name: Natalia Camargo

Title: Assistant Representative of  
British Bank of Latin America  
Limited

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UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA

DEC 20 3 35 PM '99  
U.S. DISTRICT COURT  
DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA  
c/o United States Attorney's Office  
Judiciary Center Building  
555 4th Street, N.W.  
Washington, D.C. 20001

Plaintiff,

v.

PROCEEDS OF DRUG TRAFFICKING  
TRANSFERRED TO CERTAIN FOREIGN  
BANK ACCOUNTS,

Defendants.

Civil Action No. 98-0434 (NHJ)

ANSWER

The British Bank of Latin America Limited, Claimant, by its attorneys, Curtis, Mallet-Prevost, Colt & Mosle, answers the allegations of the Second Amended Complaint for Forfeiture In Rem as follows:

1. Claimant denies knowledge or information sufficient to form a belief as to the allegations contained in Paragraph 1.
2. Claimant denies the allegations contained in Paragraph 2 of the Complaint. The Court has been divested of subject matter jurisdiction in this action as it relates to Claimant's property by the plaintiff's failure forthwith to issue a summons and warrant, and cause this process to be served upon the subject property in a timely manner, as required by the Supplemental Rules for Certain Admiralty and Maritime Claims.

3. Claimant denies the allegations contained in Paragraph 3 with respect to venue, and denies knowledge or information sufficient to form a belief as to the remainder of the allegations contained in Paragraph 3.

4. Claimant denies knowledge or information sufficient to form a belief as to the allegations contained in Paragraph 4.

5. Claimant denies the allegations contained in Paragraph 5 of the Complaint to the extent those allegations are intended to refer to Claimant or Claimant's property and denies knowledge or information sufficient to form a belief as to the remainder.

6. Claimant denies the allegations contained in Paragraph 6 of the Complaint to the extent those allegations are intended to refer to Claimant or Claimant's property and denies knowledge or information sufficient to form a belief as to the remainder.

6(a). Claimant denies knowledge or information sufficient to form a belief as to the allegations contained in Paragraph 6(a).

6(b). Claimant denies knowledge or information sufficient to form a belief as to the allegations contained in Paragraph 6(b).

6(c). Claimant denies knowledge or information sufficient to form a belief as to the allegations contained in Paragraph 6(c).

6(d). Claimant denies the allegations contained in Paragraph 6(d) of the Complaint to the extent those allegations are intended to refer to Claimant or Claimant's property and denies knowledge or information sufficient to form a belief as to the remainder.

6(e). Claimant denies knowledge or information sufficient to form a belief as to the allegations contained in Paragraph 6(e).

6(f)(i). Claimant denies the allegations contained in Paragraph 6(f)(i) of the Complaint to the extent those allegations are intended to refer to Claimant or Claimant's property and denies knowledge or information sufficient to form a belief as to the remainder.

6(f)(ii). Claimant denies the allegations contained in Paragraph 6(f)(ii) of the Complaint to the extent those allegations are intended to refer to Claimant or Claimant's property and denies knowledge or information sufficient to form a belief as to the remainder.

6(f)(iii). Claimant denies the allegations contained in Paragraph 6(f)(iii) of the Complaint to the extent those allegations are intended to refer to Claimant or Claimant's property and denies knowledge or information sufficient to form a belief as to the remainder.

6(f)(iv). Claimant denies the allegations contained in Paragraph 6(f)(iv) of the Complaint to the extent those allegations are intended to refer to Claimant or Claimant's property and denies knowledge or information sufficient to form a belief as to the remainder.

6(g). Claimant denies knowledge or information sufficient to form a belief as to the allegations contained in Paragraph 6(g).

6(h). Claimant denies the allegations contained in Paragraph 6(h) insofar as they are intended to refer to Claimant or Claimant's property, except Claimant admits that numbered account 8900046090 in the Bank of New York is an interbank account belonging to Claimant.

In addition, Claimant raises the following affirmative defenses to the plaintiff's Second Amended Complaint for Forfeiture In Rem:

FIRST AFFIRMATIVE DEFENSE

The plaintiff's claim is time-barred under the statute of limitations set forth in 18 U.S.C. § 984(c) and other applicable law.

SECOND AFFIRMATIVE DEFENSE

This court lacks subject matter jurisdiction over this action. The plaintiff failed forthwith to issue a summons and warrant and cause this process to be served upon the subject property in a timely manner, as required by the Supplemental Rules for Certain Admiralty and Maritime Claims.

THIRD AFFIRMATIVE DEFENSE

The plaintiff lacks probable cause for the institution of this forfeiture suit.

FOURTH AFFIRMATIVE DEFENSE

Claimant's account is not property involved in a transaction or attempted transaction in violation of 18 U.S.C. §§ 1956 or 1957, as defined under 18 U.S.C. § 981(a)(1).

FIFTH AFFIRMATIVE DEFENSE

Claimant's account is not property traceable to property involved in a transaction or attempted transaction in violation of 18 U.S.C. §§ 1956 or 1957, as defined under 18 U.S.C. § 981(a)(1).

SIXTH AFFIRMATIVE DEFENSE

Claimant's account is an interbank account, as defined in 18 U.S.C. § 984(d)(2), and thus is exempt from civil forfeiture as fungible property under 18 U.S.C. §§ 984(d)(1).

SEVENTH AFFIRMATIVE DEFENSE

The Claimant is an innocent owner of the account in question, and any alleged acts or omissions by others subjecting the Claimant's account to forfeiture were committed

without the Claimant's knowledge. Per the terms of 18 U.S.C. § 981(a)(2), the Claimant's account is exempt from forfeiture.

Please take notice that the Claimant demands trial by jury of the issues and defenses raised by its Claim and Answer.

WHEREFORE, the British Bank of Latin America Limited, by its attorneys, prays that this Court will:

1. Dismiss Plaintiff's Complaint and enter judgment in behalf of the Claimant;
2. Deny issuance of a certificate of probable cause pursuant to 28 U.S.C. § 2465, and award costs and attorney fees to the Claimant;
3. Provide such other relief as the Court deems proper and just.

Dated: July 20, 1999

CURTIS, MALLET-PREVOST,  
COLT & MOSLE

By: Preston Brown  
Preston Brown (D.C. Bar No. 15651)  
Joseph D. Pizzurro (Pro Hac Vice)  
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(202) 452-7373

Attorneys for Claimant  
British Bank of Latin America Limited  
Bofam House  
King and George Street  
Nassau, Bahamas

07/14/00 FRI 09:37 FAX

002

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA,

Plaintiff,

v.

PROCEEDS OF DRUG TRAFFICKING  
TRANSFERRED TO CERTAIN  
FOREIGN BANK ACCOUNTS,

Defendants.

Civil Action No. 98-434 (NHD)

FILED

APR 11 2000

NANCY MAYER WHITTINGTON, CLERK  
U.S. DISTRICT COURTMEMORANDUM ORDER

Presently before the Court are the motions of the United States to strike the notice of claim of two claimants: 1) Parowan Group, Inc. and Procter S.A. ("Parowan"); and 2) Piedad de Hoyos ("Hoyos") for lack of standing in this forfeiture action. Also before the Court is the motion of claimant Parowan to dismiss the Government's complaint based on lack of ~~in rem~~ jurisdiction over the defendant property, illegal foreign service of ~~in rem~~ process, failure to plead facts sufficient to support a forfeiture complaint, failure to properly verify the Second Amended Complaint, and improper venue in this district. Claimant Hoyos has also moved to dismiss for improper venue. For the reasons stated below, the Court finds that claimants Parowan and Hoyos lack standing to contest this forfeiture action and, therefore, their notices of claim must be stricken. Furthermore, as Article III standing is a threshold issue, the Court will not reach claimants' motions to dismiss.

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**I. Background**

On February 13, 1998, the United States filed a civil forfeiture Complaint in rem against the proceeds held in numerous foreign bank accounts. This Complaint was filed pursuant to 18 U.S.C. § 981(a)(1)(A) which provides for civil forfeiture of any property traceable to a violation of the anti-money laundering provisions of 18 U.S.C. §§ 1956-1957. The forfeiture action arises from two three-year undercover investigations by the United States Customs Service into narcotics trafficking and related money laundering, code-named Operations Casablanca and Check Mark. During the course of these sting operations, undercover Customs agents and confidential informants deposited in excess of \$84 million in alleged narcotics proceeds in various undercover bank accounts. These funds were then wire transferred to bank accounts throughout the United States and the world in accordance with instructions from alleged narcotics traffickers. Pursuant to 28 U.S.C. § 1355(b)(2), the civil forfeiture action against all proceeds held in foreign bank accounts was filed in this Court.<sup>1</sup> At the request of the Government, the matter was placed under seal.

On May 18, 1998, three federal indictments were handed down and unsealed in the Central District of California. These indictments pertain to the criminal conduct underlying the forfeiture action in this Court. On that same day, the Government filed its First Amended Complaint and moved to unseal the original Complaint in this matter. The next day, the Court entered an Order unsealing the Complaint and related documents. On March 30, 1999, the

<sup>1</sup> 28 U.S.C. § 1355(b)(2) states that:

Whenever property subject to forfeiture is located in a foreign country, or has been detained or seized pursuant to legal process or competent authority of a foreign government, an action or proceeding for forfeiture may be brought as provided in paragraph (1), or in the United States District Court for the District of Columbia.

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Government filed its Second Amended Complaint correcting various clerical and factual errors that led to the misidentification of several bank accounts listed in the original and First Amended Complaints. Through its ongoing investigative efforts and the assistance of foreign governments, the United States informed the Court that it had "discovered that some of the bank accounts listed in the First Amended Complaint were inaccurately identified, naming either the wrong bank, bank location, account holder, or account number." Memorandum of Law in Support of Motion for Leave to File Second Amended Complaint at 3. The Government was granted leave to file its Second Amended Complaint and Amended Arrest Warrants ~~in rem~~ were issued.

Among the bank accounts identified for the first time in the Second Amended Complaint is account #8900046090, at the Bank of New York ("BNY") containing \$1,570,000. This BNY account is held in the name of the British Bank of Latin America ("BBLA") and is comprised of the commingled funds of several different BBLA account holders. In its Motion for Leave to File Second Amended Complaint, the Government states that, while it had been aware that the proceeds at issue were originally transferred to BNY, the Government had assumed in its First Amended Complaint that the proceeds were transferred out of BNY to seven different accounts maintained at BBLA's branch office in Bogota, Colombia. The Government has since discovered that the BBLA Bogota office is merely a representative branch with no funds on hand.<sup>2</sup> Rather, all \$1,570,000 still remain in one BBLA account at BNY in White Plains, New York, never having left the country. The present motions pertain to Parowan and Hoyos claims against proceeds held in BBLA's account at BNY.

<sup>2</sup> Representative offices are described as bank offices where only book entry transactions take place. No currency is dispensed, stored or accepted for deposit. All business is comprised of paper transactions.

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**II. Standing**

"Whether a claimant has standing is 'the threshold question in every federal case, determining the power of the court to entertain the suit.'" *In re Gucci*, 126 F.3d 380, 387-88 (2d Cir. 1997)(quoting *Warth v. Seldin*, 422 U.S. 490, 498 (1975)). In order to proceed with their challenge to this forfeiture action, claimants Parowan and Hoyos bear the burden of demonstrating standing. See *Mervado v. United States Customs Service*, 873 F.2d 641, 644 (2d Cir. 1989). There are two types of standing at issue -- standing to bring a claim under the applicable statute or statutes and standing under Article III of the Constitution.

**A. Statutory Standing**

Rule C(6) of the Supplemental Rules for Certain Admiralty and Maritime Claims ("Supplemental Rules") governs the filing of a claim against proceeds sought to be forfeited under 18 U.S.C. § 981. See *United States v. One 1990 Mercedes Benz 300CE*, 926 F. Supp. 1, 3 (D.D.C. 1996)("Rule C(6) of the Supplemental Rules, which governs actions in rem, requires the filing of a verified claim to the res subject to forfeiture prior to the filing of any answer to the forfeiture complaint")(citations omitted). In accordance with Supplemental Rule C(6), a verified claim, stating claimants interest in the property and right to defend the forfeiture action, must be filed within ten days after process has been executed on the property in order for claimant to have statutory standing to contest the action. See *id.*; *United States v. Property Identified as \$88,260 in United States Currency*, 925 F. Supp. 838, 840-41 (D.D.C. 1996).

Verified notices of claim were filed in this matter by Parowan on July 29, 1999, and by Hoyos on August 2, 1999, respectively. The Court has not been informed by the United States or the claimants of the date that process was executed on the defendant proceeds held in BNY account #8900046090, however, the Government was granted leave to file its Second Amended

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Complaint on April 15, 1999, and Amended Arrest Warrants in rem, including one pertaining to the BNY account, were issued on that date or shortly thereafter. Thus, it appears that claimants may lack statutory standing for failure to file their claims within ten days.

Despite claimants' apparent delay in filing their claims, the United States does not urge that they lack statutory standing to contest this forfeiture action. Rather, the United States' standing argument is based solely on lack of Article III standing. Because the Government has chosen not to raise a statutory standing argument, the Court will assume, without deciding, that claimants have met the strict requirements for statutory standing and will move on to the issue of Article III standing.

#### B. Article III Standing

Article III of the Constitution extends the judicial power of the United States to "Cases" and "Controversies," which terms define the outer limits of the subject matter jurisdiction of federal courts. Therefore, in order to demonstrate Article III standing, a forfeiture claimant must show "a sufficient stake in an otherwise justiciable controversy to obtain judicial resolution of that controversy." Sierra Club v. Morton, 405 U.S. 727, 731 (1972). As the Court of Appeals for the Second Circuit has recently noted in a case involving the standing of various claimants to challenge a forfeiture action, "[i]t would violate principles of separation of powers for [a federal court] to hear a matter that was not a case or controversy and therefore not delegated to the judiciary under Article III." United States v. Cambio Exacto, S.A., 166 F.3d 522, 527 (2d Cir. 1999).

In order to demonstrate an interest sufficient to confer standing, claimants may attempt to show "actual possession, dominion, control, title, or financial stake." United States v. Contents of Account Numbers 208-06070 and 208-06068-1-2, 847 F. Supp. 329, 333 (S.D.N.Y. 1994).

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Beyond these standard indicia of possessory or ownership interest, the touchstone of Article III standing is whether claimants can sufficiently allege a distinct and palpable injury that is likely to be redressed by the requested relief. *See* Cambio Exacto, 166 F.3d at 527 (citations omitted). In this instance, for claimants to establish a cognizable injury for the purpose of standing, they must claim an interest in the specific funds sought to be forfeited. *See* United States v. \$79,000 in Account Number 2168050/6749900 at the Bank of New York, 1996 WL 648934 (S.D.N.Y. Nov. 7, 1996) ("The possessory or ownership interest must be in the specific forfeited property; unsecured creditors of the party whose property is seized do not have standing to challenge a forfeiture of their debtor's property."). If they lack an interest in this specific property, whatever injury they may have suffered does not stem directly from the seizure and would not necessarily be redressed by a successful challenge to the forfeiture.

In its claim, Parowan alleges that it owns "deposit accounts" in BBLA and has dealt exclusively with BBLA's representative branch office in Nassau, The Bahamas. *See* Parowan's Verified Claim at ¶2. Based on allegations contained in the Government's Second Amended Complaint, Parowan further claims that BBLA may have transferred \$800,000 of Parowan's funds through account #8900046090 at BNY and that these funds are among the proceeds that the United States seeks to forfeit. *Id.* On this basis, Parowan alleges that it is entitled to lawful possession and ownership of BBLA funds held at BNY and claimant notifies the Court of its intent to defend against the forfeiture action. *Id.* at ¶3.

Similarly, claimant Hoyos asserts that she is the owner of \$130,000 deposited with BBLA. *See* Hoyos' Notice of Claim at ¶1. In her Notice of Claim, Hoyos explains that it is her belief that: "1) my funds are maintained by the British Bank of Latin America in Nassau, Bahamas, in certificates of deposit; and 2) the funds which have been seized in this action

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constitute a portion of the correspondent account of British Bank of Latin America with the Bank of New York." *Id.* at ¶2. While Hoyos concedes that she does not know whether she has any ownership interest in funds held at BNY, she states, "I am filing this Notice of Claim as a precautionary measure in the event that it is determined that my funds are really located in the account seized in this action." *Id.* Yet, notwithstanding her admission that she is uncertain of her claim, Hoyos still asserts that she is "entitled to and demand[s] immediate possession of \$130,000 of the defendant monies that were seized from this Account." *Id.* at ¶4. Furthermore, Hoyos notifies the Court of her intention to defend this action. *Id.* at ¶5.

The nature of claimants' possessory or ownership interest in the proceeds arrested in BBLA's account at BNY is defined by the law of the state with the most pervasive contacts. *See United States v. \$3,000 in Cash*, 906 F. Supp. 1061, 1065 (E.D. Va. 1995) ("[B]ecause the forfeiture statute contains no rule for determining the scope of property rights, it is appropriate to refer to state law in determining the nature of the property interest involved in a forfeiture proceeding.") (quotation omitted). Here, New York law is controlling as the funds at issue never left BBLA's account at the BNY branch office in New York. Under New York law, "[o]nce funds are deposited in an account under an individual's name, the account holder is presumed to have title to and control over those funds." *\$79,000 in Account Number 2168050/6749900 at the Bank of New York*, 1996 WL 648934, at \*4. As such, an account holder who is entitled to draw on the funds or to write drafts against those funds is the party deemed to have dominion and control over those funds.

According to the relevant facts alleged in the notices of claim and in the Second Amended Complaint, claimants Parowan and Hoyos each have funds on account with BBLA. Furthermore, it is uncontested that BNY account #890046090 is held in the name of BBLA and

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contains \$1,570,000 in funds commingled from several BBLA depositors. Claimants' funds may be among the BBLA funds seized in the BNY account. However, it is also clear that Parowan and Hoyos have no control over any funds held in BBLA's account at BNY, nor do they claim to have any such control. In other words, even if those funds had not been arrested by the Government, Parowan and Hoyos still would not have had any ability to withdraw money from BBLA's account at BNY. Those funds were held solely for BBLA and only BBLA had the right to withdraw them.

Lacking any possessory interest in the specific property sought to be forfeited, claimants must attempt to show legal title or ownership. New York law recognizes two types of bank accounts: general accounts and special accounts. "In a general account, the bank obtains title immediately upon deposit and the account holder receives a contractual right to recover from the bank the sum deposited." \$79,000 in Account Number 2168050/6749900 at the Bank of New York, 1996 WL 648934, at \*5. In essence, the account holder of a general account becomes an unsecured creditor of the bank. The bank is free to commingle the account holders funds and to use those funds in anyway that it sees fit. The bank simply owes a contractual obligation to repay the account holder on demand. It need not return to the account holder the very same currency that was deposited.

A special account, on the other hand, creates a bailment with the title to the funds remaining with the account holder. *Id.* In order to create a special account, there must be a contractual arrangement with both the account holder and the bank agreeing to create a bailment for the deposited funds. As such agreements are rare, there is a strong presumption that all bank accounts are general accounts and any party claiming otherwise must demonstrate a special account arrangement in order to overcome this presumption. *Id.* Here, claimants have never

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asserted that the BBLA bank account at BNY is a special account, nor have they presented any evidence of a special account agreement. Thus, the Court must presume that the account at issue is a general bank account.

As the account holder of a general account, BBLA is an unsecured creditor of BNY. It is well-settled that "an unsecured creditor generally lacks standing to challenge a forfeiture because, while that person may have an interest in the property of the debtor from whom assets were seized, she cannot show that she held an interest in the specific property forfeited." \$3,000 in Cash, 906 F. Supp. at 1065 (citing precedent from several circuits in support of this holding); see also United States v. BCCI Holdings (Luxembourg), S.A., 977 F. Supp. 449, 453 (D.D.C. 1997)(in analyzing standing in a forfeiture action under 18 U.S.C. § 1963 (RICO statute), the court recognized that "most, if not all, other courts addressing the issue [of standing to contest a forfeiture action have found that] an unsecured creditor does not possess an interest in any specific asset of a debtor and merely has a general interest in the debtor's entire estate. Because a general creditor is unable to assert an interest in a specific asset, it cannot assert a legal right, title, or interest in property which has been ordered forfeited"(citations omitted); \$79,000 in Account Number 2168950/6749900 at the Bank of New York, 1996 WL 648934, at \*5 ("Claimant cannot establish standing if these accounts were general accounts because even one who deposits funds in an account registered in his own name loses title to those funds as soon as they are deposited.") Thus, BBLA, as an unsecured creditor of BNY, lacks an ownership interest



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in the arrested proceeds sufficient to confer Article III standing.<sup>3</sup>

Here, the Court must determine the ownership interest of claimants Parowan and Hoyos. It is clear that if BBLA lacks an ownership interest sufficient to establish standing to challenge the seizure of funds in its own bank account, claimants are likewise unable to demonstrate sufficient ownership to create standing. Claimants are only able to show that they are titled holders of funds on account at BBLA. Therefore, Parowan and Hoyos are likely unsecured creditors of BBLA, yet further removed than BBLA from having any cognizable ownership interest in the specific funds at issue.

In opposing the motion of the United States to strike its claim for lack of standing, Parowan argues that the Second Circuit's recent ruling in the case of United States v. Cambio Exacto, 166 F.3d 522 (2d Cir. 1999), supports its assertion of Article III standing. However, upon careful reading, nothing in Cambio Exacto is contrary to the conclusion that Parowan and Hoyos lack standing. In that case, the Second Circuit held that claimants Perusa and Pan American, named holders of bank accounts that had been seized by the Government, had standing to contest the forfeiture action because the seizure had directly injured Perusa and Pan American. *Id.* at 528. Putting aside the issue of whether these account holders "owned" the funds seized, the Second Circuit found that Perusa and Pan America had indeed suffered a distinct and palpable injury that was likely to be redressed by a successful challenge to the forfeiture action. *Id.* The injury that Perusa and Pan America suffered arose from liability that

<sup>3</sup> However, BBLA may still have standing based on its possessory interest in the funds. See \$79,000 in Account Number 2168050/6749200 at the Bank of New York, 1996 WL 648934, at \*5 ('an individual who deposits money in his own account might have standing by virtue of his de facto dominion or control over the funds'). At this time, the Court is not called upon to determine BBLA's standing and, as such, will not prejudge the issue.

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they had to their customers for the amount of the frozen funds. *Id.* If Perusa and Pan America were able to succeed in defeating forfeiture, the seized funds would be released from their frozen bank accounts and they could fulfill their obligations to their customers. *Id.* Thus, claimants Perusa and Pan America are analogous to account holder BBLA in the instant action, not to claimants Parowan and Hoyos. Here, it is BBLA that may have a contractual obligation to repay its depositors, Parowan and Hoyos, but may be unable to do so because of the seizure of its account at BNY.

Moreover, the position of claimants Parowan and Hoyos is similar to that of claimant Cambio Exacto. Cambio Exacto also had a claim on the frozen funds because it had paid Perusa's customers in advance of receiving money from Perusa. *Id.* Therefore, Cambio Exacto had an interest in Perusa's funds being returned so that Perusa could reimburse Cambio Exacto. *Id.* Yet, such an interest in the funds was not sufficiently direct to create Article III standing. Even if the funds were released and Perusa were able to draw on its bank account, there still would be no assurance that Cambio Exacto would be paid. As the Second Circuit correctly noted:

[I]f Cambio Exacto properly paid [Perusa's customers], it may have a claim against Perusa, but not against the government. Specifically, Cambio Exacto fails to demonstrate an injury that resulted directly from the conduct of the government or that would be redressed by a successful challenge to the forfeiture of the defendants funds, which results in their return to Perusa, not Cambio Exacto.

*Id.* at 528-29. Therefore, contrary to Parowan's suggestion, the Second Circuit's holding in *Cambio Exacto* actually supports the conclusion that Parowan and Hoyos lack standing to contest the forfeiture of the specific funds seized from BBLA's account at BNY.

Although Parowan and Hoyos may indeed suffer distinct and palpable injury if BBLA refuses to allow withdrawal of funds from their accounts, such injury would not necessarily be

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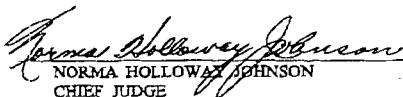
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redressed by a successful challenge to the forfeiture of the specific funds seized from BBLA's account at BNY. Rather, the redress claimants seek may lie with a cause of action against BBLA for breach of contract. Regardless of whether Parowan and Hoyos have any claims against BBLA, their injuries did not result directly from the conduct of the Government. Moreover, claimants have not presented, and the Court has been unable to find, a single case where claimants in the same position as Parowan and Hoyos were found to have standing to contest a forfeiture action. For all of the foregoing reasons, the Court finds that claimants Parowan and Hoyos lack a sufficient possessory or ownership interest to confer Article III standing and, therefore, the motions of the United States to strike their notices of claim must be granted.

Accordingly, it is this 11th day of April 2000,

ORDERED that the motions of the United States to strike the notices of claim filed in this matter by Parowan Group, Inc., and Proenfar S.A., and Piedad de Hoyos be, and hereby are, GRANTED; and it is further

ORDERED that the notices of claim filed by Parowan and Hoyos be, and hereby are, STRICKEN.

  
NORMA HOLLOWAY JOHNSON  
CHIEF JUDGE

**U.S. Department of Justice**

United States Attorney  
Northern District of Georgia

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*Suite 1800 Richard Russell Building Telephone (404) 581-6000  
75 Spring Street, S.W. Fax (404) 581-6181  
Atlanta, Georgia 30335*

**FOR IMMEDIATE RELEASE**  
12/9/99

**"OPERATION JUNO" INDICTMENT TARGETS FIVE MAJOR TRAFFICKERS  
AND \$26 MILLION WORTH OF LAUNDERED DRUG PROCEEDS**

Richard H. Deane, Jr., United States Attorney for the Northern District of Georgia; John Andrejko, Special Agent in Charge, Drug Enforcement Administration; Andre Martin, Chief, Criminal Investigation Division, Internal Revenue Service; Beverly Harvard, Chief, Atlanta Police Department; Bobby Moody, Chief, Marietta Police Department; and Ron Davis, Chief, Doraville Police Department, announce that a federal grand jury in Atlanta has returned separate indictments against 5 defendants from Colombia, and other charges are now pending in other states in the United States and several countries around the world, relating to a multi-million dollar scheme involving money laundering and drug distribution. According to Deane:

The indictments name ARMANDO MOGOLLON 35, a/k/a "Nicolas," HECTOR FABIO BOTERO, 35, a/k/a "Rigoberto," JUAN MONTOYA, 51, JUAN CARLOS ARIAS, 39, and SAMUEL VALLEJO, 39, all of Colombia, and who are currently believed to be in Colombia, and charge the defendants with conspiracy to launder money, conspiracy to traffic in drugs, and multiple money laundering counts. The indictments charge that from October, 1996, to August, 1999, the defendants conspired to launder drug money and

traffic in narcotics in the Northern District of Georgia and elsewhere.

Besides the five named defendants above, 40 arrests have been made in the United States during the course of the investigation. 15 additional defendants are in the process of being arrested today in New York and Chicago during the takedown process of "Operation Juno," and they face charges in those respective federal jurisdictions. Civil seizure warrants are also being brought against 59 domestic bank accounts worldwide. Approximately \$26 million in drug proceeds were targeted for seizure. \$10 million was seized during the investigation, and the balance is being seized in 59 accounts at 34 U.S. banks, and 282 accounts at 52 foreign banks.

During the course of the investigation 59 pickups of U.S. dollars were affected. Subsequent enforcement activity resulting from these pickups led to the seizure of 3,601 kilograms of cocaine, 106 grams of hashish oil.

The Drug Enforcement Administration and the Internal Revenue Service Criminal Investigation Division began a pro-active undercover money laundering "sting" investigation in September, 1996, and called it "Operation Juno," based out of a rented office building in suburban Atlanta, with a company called "Airmark." DEA and IRS-CID Special Agents gained permission from the Attorney General to open a legitimate stockbrokerage firm in that office which served to validate the undercover money laundering operation. (NOTE: No stock trades were executed through the undercover stockbrokerage firm.)

Operation Juno was initiated after the seizure of approximately 386 kilograms of liquid cocaine, which had been found concealed and shipped in frozen fish from Cartagena, Colombia, in July, 1995, and shipped under the name of the Colombian

company "COLAPIA S.A," whose U.S. distribution center was in the Atlanta area.

Investigation of "COLAPIA S.A," revealed that company indicated that the Atlanta owner was a partner with Arfranio ("Phanor") Arizabaleta Arzayur, a prominent Cali, Colombia, narcotics trafficker. Members of his organization referred Operation Juno to other drug trafficking organizations in need of financial and money laundering services. Operation Juno then targeted those drug trafficking organizations, their associates and activities, by offering financial services to launder their drug proceeds.

At the request of one of the five indicted defendants, Operation Juno would pick up drug proceeds usually ranging between \$100,000 and \$500,000 in U.S. Currency. The pickup of drug proceeds was conducted in public areas such as restaurants, parking lots, shopping centers and city streets. The narcotic proceeds that were provided to Operation Juno personnel in cash were often delivered in gym bags, duffle bags, luggage and boxes. Drug money pickups were made in Dallas, Houston, New York, Newark, Providence, Miami, Chicago, Madrid, Spain, and Rome, Italy. Operation Juno later wire transferred the monies from the collection city to an undercover bank account in Atlanta. The monies were then distributed to various accounts in the U.S. and around the world at the direction of the targeted individuals.

Operation Juno then contracted a third-party money exchanger in Colombia, who typically would sell the U.S. dollars for pesos on the Colombian Black Market peso Exchange. Colombian businessmen, who needed U.S. dollars for purchases of computers, electronic equipment, and other goods and services from companies in the United States, and were attempting to evade Colombia's restrictions, tariffs, and taxes, contracted the third-party money exchanger to pay their bills in the U.S. with those same dollars, which

technically never left the United States. The Colombian businessmen would tell the third-party money exchanger where Operation Juno should wire transfer the dollars. The Colombian businessmen would then release an equal amount of pesos to the dollars they received, and the third-party exchanger, at the direction of Operation Juno, then deposited the pesos into the drug traffickers' designated accounts in Colombia. Once the Colombian pesos were deposited into the designated bank accounts, the money laundering contract with the narcotics traffickers was fulfilled.

Richard H. Deane, Jr., United States Attorney for the Northern District of Georgia said of the case, "The many agents involved in this case have demonstrated outstanding cooperation and many, many long-term contributions that have set this case apart. I commend all of them for their efforts." James T. Martin, Chief of the Drug Division of the United States Attorney's Office told a morning news conference held at the DeKalb County office site of the undercover operation, "This was an extremely complex case where, in essence, the defendants took millions of dollars in drug money in the U.S., and millions in pesos in Colombia, and laundered them both without the money physically leaving either country. It was only because of the tireless work of the investigators that these drug kingpins and runners around the U.S. and the world are now debilitated."

DEA Special Agent In Charge John Andrejko said of the case, "For the first time in drug enforcement history, the U.S. government has set up an undercover stockbrokerage firm to aid in intercepting drug dollars destined for the Colombian black market. U.S. businesses must be diligent about accepting third party payments from countries where there is a known drug trafficking problem. We hope this is a significant first step in striking out against the black market peso system that launders billions of drug dollars every year."

IRS Criminal Investigation Chief Andre Martin said of the case, "The black market peso exchange is another example of the evolutionary nature of sophisticated money laundering, and the increasing nonfactor of geographical boundaries as an impediment to the facilitation of financial crimes. Along with the internet, this type of financial transaction exchange represents the new frontier of money laundering."

(News Media Note: background material including graphics and additional details concerning Operation Juno are available in a separate booklet at the news conference.)

Members of the public are reminded that the indictment contains only charges. A defendant is presumed innocent of the charges and it will be the government's burden to prove a defendant's guilt beyond a reasonable doubt at trial.

This case is being investigated by Special Agents of the Drug Enforcement Administration and the Internal Revenue Service-Criminal Investigation Division, with assistance from the Atlanta Police Department, the City of Marietta Police Department and the Doraville Police Department. The United States Attorney's Office and investigators also wish to acknowledge the assistance of the United States Department of Justice Criminal Division's Asset Forfeiture and Money Laundering Section, Washington, D.C., FinCEN, the U.S. Department of Treasury's Financial Crimes Enforcement Network, and NDIC, the United States Department of Justice National Drug Intelligence Center, in this case.

Assistant United States Attorney Lawrence O. Anderson is prosecuting the case in Atlanta.

For further information please contact Richard H. Deane, Jr., United States Attorney or James T. Martin, Chief, Drug Division, through Patrick Crosby, Public Affairs Officer, U.S. Attorney's Office, at (404) 581-6016. The Internet address for the HomePage for the



UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA

FILED

: NOV 23 1999

UNITED STATES OF AMERICA,  
c/o United States Attorney's  
Office  
Judiciary Center Building  
555 4<sup>th</sup> Street, NW  
Washington, D.C. 20001  
Plaintiff,

v.

ALL FUNDS IN CERTAIN FOREIGN  
BANK ACCOUNTS REPRESENTING  
PROCEEDS OF NARCOTICS  
TRAFFICKING AND MONEY  
LAUNDERING

Defendants.

United States District Court  
for the District of Columbia  
A TRUE COPY

NANCY MAVERICK WALKER, Clerk

Deputy Clerk

CASE NUMBER 1:99CV03112

Ci. JUDGE: Ricardo M. Urbina

DECK TYPE: Civil General

DATE STAMP: 11/23/1999  
23VERIFIED COMPLAINT FOR FORFEITURE IN REM

The United States of America brings this action in rem to forfeit laundered narcotics proceeds found in bank accounts in Colombia and other foreign countries, and through its undersigned attorneys respectfully alleges the following:

INTRODUCTION

1. This is a civil action in rem brought to enforce provisions of 18 U.S.C. § 981(a)(1)(A) and 21 U.S.C. § 881(a)(6), which respectively provide for the forfeiture of any property involved in or traceable to property involved in a violation of the anti-money laundering provisions of 18 U.S.C. §§ 1956 and 1957, and for all proceeds traceable to moneys furnished or intended to be furnished in exchange for a controlled substance.

Switzerland	Pictet And Company Bankers	Ansoni Company	D 94271	10/30/97	\$ 208,428.00
Bahamas	British Bank of Latin America	Andes Trading	29023314	01/22/98	\$ 126,127.00
Bahamas	British Bank of Latin America	Andes Trading	29023314	05/28/98	\$ 100,000.00
Bahamas	British Bank of Latin America	Andes Trading	29023314	10/07/98	\$ 100,000.00
Bahamas	British Bank of Latin America	Andes Trading	29023314	03/18/99	\$ 89,795.00
Bahamas	British Bank of Latin America	Andes Trading	29023314	04/13/99	\$ 17,185.00
Bahamas	British Bank of Latin America	Andes Trading	29023314	04/29/99	\$ 100,000.00
Bahamas	British Bank of Latin America	Andes Trading	29023314	07/07/99	\$ 143,245.00
				<b>Subtotal</b>	<b>\$ 676,352.00</b>
Bahamas	British Bank of Latin America	Andes Trading	010002	09/18/97	\$ 250,000.00
Bahamas	British Bank of Latin America	Andes Trading	010002	07/18/97	\$ 200,000.00
				<b>Subtotal</b>	<b>\$ 450,000.00</b>

Bank	Accto	Name/in favor of	Account #	Date	Peso Amount
Bancafe		Jorge Herrera	366015808	05-03-99	14,626,330
Bancafe		Jorge F. Duque	414010116	01-24-97	15,349,788
				01-24-97	13,770,220
				<b>Subtotal</b>	<b>29,120,008</b>
Bancafe		Bernardo Rendon	421027400	07-09-99	14,461,120
				07-12-99	15,000,000
				<b>Subtotal</b>	<b>29,461,120</b>
Bancafe		Luz Dary Ramirez	620230854	07-12-99	9,447,800
Bancafe		Francisco Londono	6281005113	05-03-99	2,037,000
Banco Anglo Americano		Juan Carlos Garcia	023001844	06-27-97	25,000,000
Banco Anglo Colombiano		Juan Carlos Garcia	073001844	03-20-97	10,000,000
				06-20-97	25,000,000
				07-23-97	25,000,000
				<b>Subtotal</b>	<b>60,000,000</b>
Banco Anglo Colombiano		Bernardo Rendon	073009334	07-12-99	10,940,267
Caja Social		Gloria Vargas	0570018288	12-02-96	10,000,000
Caja Social		Rosalba Huertas	0570204951	12-02-96	7,902,230
Caja Social		Juan Arturo Montoya	1005917063	04-23-97	10,000,000
Caja Social		Alvaro Hernan Jimenez	102220020014	05-03-99	9,071,000
Caja Social		Inmobiliaria Gomez Asociados	500580005139	08-20-98	38,000,000
				09-01-98	8,500,000
				09-02-98	10,098,000
				<b>Subtotal</b>	<b>56,598,000</b>
Caja Social		Gloria Fernandez	501590003737	06-05-97	20,000,000
Caja Social		Guillermo Jaramillo	501590003744	06-05-97	8,480,000
				06-05-97	10,000,000
				<b>Subtotal</b>	<b>18,480,000</b>
Caja Social		Zuluaga Vargas e Hijos	502220004023	04-30-98	10,000,000
				05-03-99	14,000,000
				05-03-99	7,307,408
				<b>Subtotal</b>	<b>31,307,408</b>
Caja Social		Gloria Chacon	Unknown	06-05-97	16,000,000

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To: Zsuzsana Degia  
 09/30/99 04:56 PM  
 To: Jill Conley, John A. Humphreys, Christine M. Polera  
 cc: Frank DiLorenzo, Dorothy A. Kmetz, Mark Bluman, Jean-Pi, Joel Feazell, Rhonda Ildefonso, Elsa  
 Torres-Kelly, Ines Charlot, Perry E. Palma Gil, Hee Cho  
 Subject: British Bank Latinamerica 8900046090 x 1125

Per Hee Cho in our Legal department, please note that BNY was served with a restraining order by the Federal government instructing BNY to freeze all outgoing activity from the above account, however, to allow incoming credits to be credited to the account.

Please ensure that subject account remains on Debit Referral and that no debits are made from the account until further instructions from Hee Cho.

Below, please find the current status of the account. Hee will forward us a copy of the directive which will be passed on to the customer.

Thank you and regards,

ZSuzsana

OPENING BAL	197,592.72	165,072.10	165,072.10
CREDITS	1,757,674.35	1,757,674.35	1,757,674.35
DEBITS	1,306,710.00	1,306,710.00	1,306,710.00
CURRENT BAL	648,557.07	616,036.45	616,036.45
PENDING DRS	4,347,786.59	4,347,786.59	4,347,786.59
APPROVAL REQ	4,347,786.59	4,347,786.59	4,347,786.59
UNCERT. DEPS	0.00	0.00	0.00
REFER CRS	0.00	0.00	0.00
PEND BK XFER	0.00	0.00	0.00
TOTAL PEND CRS	0.00	0.00	0.00
CRS RECD UNANT	1,757,674.35	1,757,674.35	1,757,674.35
ANTICIP. CRS	0.00	0.00	0.00
PRJ. CLOSE BAL	3,699,229.52	3,731,750.14	3,731,750.14

URGENT

**EXHIBIT NO. 60**  
**Documents related to**  
**EUROPEAN BANK**  
**(Case Study No. 7):**

- 60a. European Bank general documents
- 60b. Citibank documents
- 60c. Taves fraud documents
- 60d. Benford account documents
- 60e. Internet Processing Corp. account documents
- 60f. Nest Bank documents

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Senate Permanent Subcommittee  
On Investigations  
EXHIBIT # 60a

**Exhibit 60a.**

**European Bank general documents**

Source: [All Sources](#) : /.../ : [The Bankers' Almanac](#)  
 Terms: [european bank](#) ([Edit Search](#))

*The Bankers' Almanac European Bank Ltd*

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#### European Bank Ltd

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**LENGTH:** 926 words

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Company Info  
 Executives  
 Correspondents  
 Subsidiaries  
 Balance Sheet (US\$ )

\*\*\*\*\* COMPANY INFORMATION \*\*\*\*\*

**RANKINGS:** World: 3,171

**SHAREHOLDERS:** European Capital Corp of Delaware, Wilmington (100%)

**AUDITOR:** KPMG

**EMPLOYEES:** 20

#### DESCRIPTION:

Private Bank  
 Activity: Offshore and Private Banking  
 Shares: JS\$ 1 OrdinaryUS\$ 1 Redeemable preference shares  
 Meetings: June

#### HISTORY:

Incorporated in Vanuatu in 1972 as an Exempted Bank and in 1995 obtained a full Vanuatu Banking Licence

\*\*\*\*\* EXECUTIVES \*\*\*\*\*

Mr Thomas Montgomery Bayer, Chairman  
 Mr Robert Murray Bohn, President  
 Mr Michael Joseph Harkin, Executive Vice-President  
 Ms Kely Thrig, Manager Operations

\*\*\*\*\* CORRESPONDENTS \*\*\*\*\*

Amsterdam: Deutsche Bank AG  
 Amsterdam: ING Bank NV (EURO account)  
 Auckland: Citibank NA  
 Lisbon: Banco Nacional Ultramarino SA  
 London: Citibank NA  
 Milan: Banca Commerciale Italiana SpA (EURO account)  
 New York City: Citibank NA  
 Port Vila: ANZ Bank (Vanuatu) Ltd  
 Sydney: Citibank Ltd  
 Toronto: Citibank Canada

#### STANDARD SETTLEMENT INSTRUCTIONS:

AUD: Citibank Ltd Sydney. SWIFT: CITI AU 2X. Acct No: 106520003.  
 CAD: Citibank Canada Toronto. SWIFT: CITI CA TT. Acct No: 2/012524/008.  
 EUR: Banca Commerciale Italiana SpA Milan. SWIFT: BCIT IT MM. Acct No: 9004245-01-07.  
 EUR: ING Bank NV Amsterdam. SWIFT: INGB NL 2A. Acct No: 59507500.  
 GBP: Citibank NA London. SWIFT: CITI GB 2L. Acct No: 8008203261.  
 ITL: Banca Commerciale Italiana SpA Milan. SWIFT: BCIT IT MM. Acct No: 9004245-01-07.  
 JPY: ANZ Bank (Vanuatu) Ltd Port Vila. SWIFT: ANZB VU VX. Acct No: 310035.  
 NLG: Deutsche Bank AG Amsterdam. SWIFT: DEUT NL 2A.  
 NLG: ING Bank NV Amsterdam. SWIFT: INGB NL 2A. Acct No: 59507500.  
 NZD: Citibank NA Auckland. SWIFT: CITI NZ 2X. Acct No: 401467009.  
 PTE: Banco Nacional Ultramarino SA Lisbon. SWIFT: BNUL PT PL. Acct No: 9900212500038.  
 USD: Citibank NA New York City. SWIFT: CITI US 33. Acct No: 36121226.  
 VUV: ANZ Bank (Vanuatu) Ltd Port Vila. SWIFT: ANZB VU VX. Acct No: 443395.

#### \*\*\*\*\* SUBSIDIARIES \*\*\*\*\*

##### Wholly-owned Subsidiaries:

European Trust Co Ltd, Port Vila (100%)

#### \*\*\*\*\* PERFORMANCE RATIOS \*\*\*\*\*

Dec.31	1998	1997
Net Profit/Equity Capital	32.12%	37.97%
Net Profit/Total Assets	2.46%	5.04%
Equity Capital/Total Assets	7.66%	13.28%

#### \*\*\*\*\* BALANCE SHEET (US\$ ) \*\*\*\*\*

##### CURRENCY: Dollar, US\$, U.S.\$, USD

ASSETS: Dec.31	1998	1997
	US\$	US\$
Cash & Banks	23,138,750	12,588,275
Investments	2,262,684	1,969,543
Loans, &c	643,068	483,730
Other Assets	73,075	16,294
Total	26,117,577	15,057,842
LIABILITIES: Dec.31	1998	1997
	US\$	US\$
Capital	750,000	750,000
Reserves	1,250,000	1,250,000
Deposits, &c	23,373,417	12,503,425
Other Liabilities	101,671	58,964
Profit Balance	642,489	495,453



Total	26,117,577	15,057,842
***** PROFIT & LOSS STATEMENT (US\$ ) *****		
Dec.31	1998	1997
	US\$	US\$
Net Profit/(Loss)	642,489	759,440

**LANGUAGE:** English**PUB-TYPE:** Company Profile**LOAD-DATE:** February 23, 2000

Source: [All Sources](#) : / . . . / : [The Bankers' Almanac](#)  
Terms: [european bank](#) ([Edit Search](#))  
View: [Full](#)  
Date/Time: Monday, May 8, 2000 - 3:03 PM EDT

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SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

REPUBLIC OF VANUATU

THE COMPANIES ACT [CAP. 191]

CERTIFICATE OF GOOD STANDING

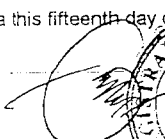
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Company Number:	798
Company Name:	EUROPEAN BANK LIMITED
Date of Incorporation:	17 May 1972
Company Type:	Exempted company limited by shares, which holds a local banking licence

---

I HEREBY CERTIFY that the above-named company has, so far as I am aware, paid all fees due and filed any annual returns required to be filed under the Companies Act [CAP. 191] as at the date hereof.

Given under my hand and seal at Port Vila this fifteenth day of December 1999.

  
Julian M. Aia  
REGISTRAR OF COMPANIES

HAMLISON M. BULO  
NOTARY PUBLIC  
REPUBLIC OF VANUATU

CG 006386

3187

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ONLY



THE BANKING REGULATION

(Cap. 8)

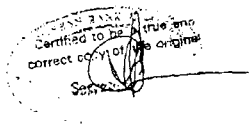
IN EXERCISE of the powers conferred by subsection (1) of  
section 21 of the Banking Regulation as amended, I hereby  
grant to

EUROPEAN BANK LIMITED

a licence to conduct banking business as an exempted bank.

Given under my hand and seal at Vila this 22<sup>nd</sup> day  
of December, 1978.

  
Resident Commissioner



CG 006603

3188

"A"

Company No. 798



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CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

REPUBLIC OF VANUATU

THE BANKING ACT [CAP. 63]

IN EXERCISE of the powers conferred upon me by section 19 of the Banking Act [CAP.  
63], I hereby grant to

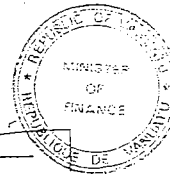
*Packet fl*

✕ EUROPEAN BANK LIMITED ✕

a licence to conduct banking business as a local bank.

Given under my hand and seal at Port Vila this twenty-first day of April 1995.

A handwritten signature in dark ink, appearing to read "Willie Jimmy".



Willie Jimmy  
MINISTER OF FINANCE

This is the annexure marked "A"  
referred to in the affidavit of Sue  
Phelps sworn before me this  
17<sup>th</sup> day of December 1999



CG 006523



# European Bank Limited

International Building  
P O Box 65,  
Port Vila, Vanuatu

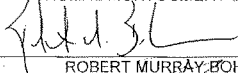
Telephone : (678) 27700  
Fax : (678) 22884  
Email : Security@Vanuatu.com.vu


5


## BANK SIGNATORIES AS FROM 10 JANUARY 2000 SPECIMEN SIGNATURES


### Category "A"


  
THOMAS MONTGOMERY BAYER

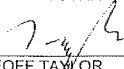
  
ROBERT MURRAY BOHN

  
BRENTON WAYNE TERRY

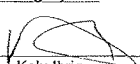
  
CHARLES S. KLEIMAN


  
SUSAN PHELPS

  
DAVID LEY OUTHRED

  
GEOFF TAYLOR

### Category "B"

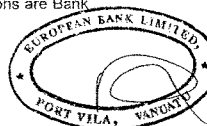
  
Kely Ihrig

  
Jean Laloyer

I hereby certify that the names and signatures of the above persons are Bank Signatories of European Bank Limited.

  
CHARLES S. KLEIMAN  
Company Secretary

\\CLIENT\Training for Word\SPMSADMIN\BankSignList-Eub.doc



**Certified to be a true and correct copy of the original**



# European Bank Limited

International Building  
P O Box 65,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone : (678) 27700  
Telex : (771) 1023 EURTRUST NH  
Facsimile : (678) 22884  
Compuserve : 76304,3717

## Bank Signatories as from 24th October 1996 Specimen Signatures

<u>NAME</u>	<u>TITLE OF OFFICER</u>	<u>SIGNATURE</u>
<u>Category "A"</u>		
Thomas M. Bayer	Executive Chairman	
Robert M. Bohn	President & CEO	
Michael J. Harkin	Executive Vice President	
Charles S. Kleiman	Sr. Vice President - Financial Controller	
Susan Phelps	Sr. Vice President - EDP	
Douglas P. M. Peters	Senior Vice President - Operations	
David L. Outhred	Sr. Manager Corporate & Trust Services	
John D. Simpson	Sr. Manager - Administration	
<u>Category "B"</u>		
Keith Hango	Manager Operations	
Charlie Tambe	Banking Officer	

I hereby certify that the names and signatures of the above persons are Bank Signatories of European Bank Limited

CHARLES S. KLEIMAN  
Company Secretary  
SUB-SIGNATURE



3191



## European Bank Limited

International Building,  
P O Box 65,  
Port Vila,  
Vanuatu

Telephone : (678) 27700  
Fax : (678) 22884  
Email : [Info@Europeanbank.net](mailto:Info@Europeanbank.net)  
Web : [www.europeanbank.net](http://www.europeanbank.net)

22<sup>nd</sup> May 2000

Mr. Carl Levin  
Ranking Minority Member  
Permanent Subcommittee on Investigations  
United States Senate  
Committee on Governmental Affairs  
193 Russell Senate Building,  
Washington D.C. 20510  
USA

Dear Mr. Levin:

I am responding to your letter of 10 May 2000 sent by fax and received on 11 May (our time).

In your second paragraph you refer to an allegation that over \$7 million arising from a credit card fraud was deposited by our bank with Citibank. I need to make it clear that the deposits of our bank with Citibank were our bank's funds and all of our deposits with Citibank (which in aggregate at the relevant time were several times \$7 million) contained many client's deposits with our bank. The deposit with our bank which is alleged to be the proceeds of a credit card fraud is from a company called Benford Ltd. Benford has never had an account with Citibank and the disputed deposit our bank has with Citibank contains the equivalent of multiple clients' deposits with us. Full details of the history of the Benford affair are provided herein.

Answers to your queries, in the order asked:

- (1) A copy of our KPMG audited accounts for the year to 31 December 1999 are enclosed (**Exhibit 1**). As a private bank, we do not issue an annual report. Using approximate numbers as you have requested, our total number of employees (including our subsidiary trust company) is 40. The total number of clients is 90, the total number of accounts is 250 and the total amount of client assets under administration or management is US\$ 62million, as per note No. 18 to our audited accounts. This is in addition to the bank's on-balance sheet liabilities to its clients.
- (2) We are a banking company which was incorporated in Vanuatu in May 1972. We hold a full local banking license and are subject to the supervision of the Vanuatu Reserve Bank. There are five such locally licensed banks in Vanuatu. They are ANZ Bank (Vanuatu) Ltd. (ANZ), Westpac Banking Corporation (Westpac), Banque d'Hawaii (Vanuatu) Limited, The National Bank of Vanuatu, and ourselves. We five make up the Bankers Association of Vanuatu.

The bank was owned by other private interests until 1986 when my family trust purchased all the equity on an arms length basis. Since then, all of the ultimate beneficial interest has vested in my family trust. European Capital Holdings Corporation was created to hold the equity in the bank and to hold the equity in Asian Pacific Finance Limited, a UK company. There has been no change in the ownership

of European Capital Holdings Corp since its inception. Fidelity Pacific Life Insurance Company Limited of Canada holds the preference share capital of the bank. This is reflected in the audited accounts.

- (3) European Bank has one subsidiary, European Investment Corp Ltd., an investment holding company incorporated in Vanuatu. That company has one subsidiary, European Trust Company Limited. European Trust Company, prior to its acquisition in 1989, was owned by ANZ Bank, HSBC, and Barclays Bank and was called Melanesia International Trust Company Limited. As mentioned above, the bank has one sister company, Asian Pacific Finance Limited in the UK.

Pacific International Trust Company Limited (PITCO), has no direct equity relationship to our bank, and is the major competitor in Vanuatu of European Trust. PITCO was owned by a group of international financial institutions (Bank of America, Westpac Bank, Sumitomo Bank, Montreal Trust, Hill Samuel, Schroder Australia, and Perpetual Trustees) until 1984 when my family trust acquired all the equity. It operates independently from European Trust Company. Its auditors are Ernst & Young.

Pacific Capital Growth Fund Limited is a Canadian funds company which has some eight different mutual funds. All the funds are accumulation funds and invest in fixed interest investments. The funds are denominated in US\$, AUD, NZ\$, Yen, Swiss Francs, Euro and Sterling. Until the advent of the Euro, there were also funds in Deutschmarks and French Francs. Copies of the international awards won by the funds are enclosed (Exhibit 3). PCG Funds commenced in 1983. Our bank is one of their bankers. Directors of our bank are also on the board of PCG Funds.

If an investor becomes aware of the performance record of the PCG Funds and wants to invest in one or more of the funds, he/she must create a Vanuatu entity for the purpose as PCG Funds only has a registered prospectus in Vanuatu and thus only allots shares pursuant to that prospectus, to Vanuatu resident persons/entities. The bank's clients are the Vanuatu entities.

PTT Finance & Data Services Hoofddo RP of the Netherlands is the Post and Telecommunications department of the Netherlands government. Our bank used to process credit card transactions through them for our merchant clients. Our bank currently has no relationship with them. We do still have a non-operating relationship with TNT International Mail which acquired the business from the Netherlands PTT.

Online Credit Clearing Corp. (OCC) is a USA corporation who was a merchant client of ours for a short time. We are currently suing them via our lawyers in Florida for amounts due to us.

International Mailings Ltd. is a name for which we need additional clarification. We have dealt with a couple of corporations with the name International Mailings. If you can supply us with an address of this corporation, we will be able to tell you its relationship, if any, with our bank.

OPCO International Agencies Inc. is another merchant client of short duration for whom we cleared credit card transactions. As with OCC, we have started legal action against them in Florida for amounts due.

I must admit to some wonderment as to how the names of OCC and OPCO have been included in your questionnaire and not the name of Internet Processing Corp, also of Florida, that was a credit card processing client of ours last year and fraudulently processed over 3 million dollars of charges within six weeks before we closed the account and reported the matter to the FBI, who referred the case to the



Secret Service. After fully briefing the Secret Service and having various discussions with the case officer we have heard nothing for a year, in spite of our follow ups. The defrauding took place in the USA, against American residents and the Secret Service does not seem to be the slightest bit interested, because the bank was outside the USA. We compare that with all the time and effort being directed at Benford Ltd. Both need attention, but only one is receiving it.

If you have information on Internet Process Corp that would be of interest to your Secret Service, we would be pleased to advise you of the case officer's details. Our US lawyers would also be pleased if you have information about either OPCO or OCC.

- (4) The approximate percentage of our bank's clients who are residents of Vanuatu is 90%. The approximate percentage of client assets at our bank that are assets of Vanuatu residents is 52%. The large deposits of Pacific Capital Growth Funds and Fidelity Pacific Life Insurance Company Limited skews the ratio towards the non-residents.

How does our bank find non-resident clients and why do non-resident clients open accounts at Vanuatu banks? I cannot answer the question on behalf of any of the other licensed local banks. I suggest that you might ask the Bank of Hawaii, which is one of the five local banks.

In relation to European Bank :

- a) The bank has in recent years built up a reputation for clearing foreign personal checks rapidly and inexpensively. Checks drawn on foreign banks that are banked in most countries are not cleared and value given to the depositor for 4-6 weeks as the checks must be physically sent back to the country where they are drawn and then sent through that country's check clearing system. If honored, notice is given to the correspondent who advises the branch concerned and the converted amount (in local currency) appears on the client's bank statement at the end of the month. As this type of check must be manually processed in the country where it is banked, the banks do not want this type of business. As a result, most banks charge anything from \$20 to \$75 to clear such a check. This is not satisfactory if the depositor has a substantial number of checks to deposit as do companies that produce international mail order catalogs. The average check amount is normally below \$100. The merchant cannot wait 4-6 weeks to learn if the check is going to bounce before shipping the goods, and the merchant cannot afford to pay \$20-75 to clear checks whose average value is less than \$100.

We courier checks in bulk to the country where they are drawn and until USA investigating committees put pressure on Citibank which made them decide to close our accounts worldwide with them (you advised them you were investigating European Bank for money laundering—presumably at the claim of Robb Evans -- and subpoenaed their records of our transactions with them) we cleared through Citibank. We had the Citibank software in our offices and could tell on the screen within a couple of days if any checks had bounced. Bounced checks were then electronically advised to our clients.

Our charge for this service is less than [REDACTED] per check, for volume processing. This can be seen in our Schedule of Fees which is attached (Exhibit 4a). Word of mouth generated more mail order clients with bulk foreign checks to clear.

Redacted Information  
in Subcommittee Files

Another advantage we have is that we have no legal requirement to keep our books in the local currency, Vatu. We run a multicurrency accounting system which accepts 28 different currencies. This means clients can have their account with us in almost any currency they want and it avoids unwanted currency conversions for them.

- b) An outgrowth of our check clearing business was the business of clearing credit cards in the currency the merchant client wanted. Again this was mainly mail order houses outside the USA who sold worldwide, including the USA. Most international catalogs are priced in US dollars. Visa and MasterCard rules are that merchants in any country must process their charges in the currency of that country. The exceptions are some eastern European countries and various small countries whose currency is not used internationally.

If a mail order house prices a golf shirt for \$19.95 and someone in the USA buys that shirt, the buyer expects to have a charge of \$19.95 appear on his credit card statement. However, if the mail order house is outside of America, and processes the charge in its country, say Spain, then the charge will be converted to pesetas, and processed through the Visa system. When it gets to the buyer's bank, it will be reconverted to US\$ and may appear as something like \$20.75. This gives rise to untold customer complaints as the price in the catalog was \$19.95. The solution is to find a bank who can process credit cards in the currency of the catalog and European Bank has been able to do that.

You might ask if there is such a business opportunity, and all the checks are being cleared through Citibank, why doesn't Citibank just do the business directly? It is true they could if they wished. Every check has the name of the payer on it and they could steal our clients. They are not interested. Call your own bank and see what they charge to clear a foreign check. The labor costs to do it are too great and anything that must be done manually is not of interest to the big banks. In Vanuatu labor is not expensive. We have found a commercial niche and we have been exploiting it.

- c) We are located in the Asian time zone. Asia is the main market for our services. Many Asians do not trust the banking system in their own country, nor their governments. They want to maintain bank accounts in a country that does not have exchange controls but has English derived law that they can rely on. They want a country which is not susceptible to coups etc. Vanuatu has no Navy, Army or Air Force. We have no armed guerrillas in the jungle.
- d) We also get client referrals from time to time from the international banks that we represent in Vanuatu. Some international banks do not want to incur the cost of a physical presence here so contract with us to act for them. This is a substantial part of our business (and the same service is provided in almost all offshore financial centers). The aggregate amount of funds from Hong Kong which is domiciled in Vanuatu under our administration is substantial. In Hong Kong, estate duty only applies to assets situate in Hong Kong on date of death of the deceased. If a deposit is with a Hong Kong bank it is subject to estate duty. If the deposit is with the Vanuatu branch of the Hong Kong bank, it is not subject to estate duty. This provides a very big opportunity for business. We act for some of the biggest banks in the world who place their Hong Kong clients' monies in their Vanuatu subsidiary or branch.

- e) Within the Bayer group of companies is Vanuatu Maritime Services Limited. It holds the contract with the Vanuatu government to register international vessels. There are over 500 vessels world wide which fly the Vanuatu flag. Owners of vessels often are looking for international banking facilities and we try to obtain their business and are sometimes successful. If you do a little research, you will find that Vanuatu is one of the creditable open shipping registers that takes safety seriously. We have a full-time person at the International Maritime Organization in London and are very active in sponsoring IMO initiatives. Ship registration offices are maintained in New York, London, Athens, Singapore, Hong Kong and Japan. These offices in some cases provide domestic services in their country of location and promote Vanuatu.
- f) A further source is from one of our shareholders, Fidelity Pacific Life Insurance Company of Canada. They have part of their banking with us, and policy holders in this region may also become clients of the bank. Fidelity Pacific is one of only two registered life companies in Vanuatu.
- g) Lastly, our bank has been mentioned favorably in various international magazine articles and this has generated enquires from time to time.

European Bank has not generally advertised its services. If you provide good products at competitive prices and have good performance, people will find you.

- (5) Our bank takes its anti-money laundering responsibilities seriously, as do all the local banks in Vanuatu. I would suggest that our opening forms and client disclosures are far more comprehensive and extensive than those found in the USA banking system. Enclosed please find (Exhibits 5a-h):
  - a. Account opening check list and forms for an individual account
  - b. Account opening check list and forms for a corporate account.
  - c. Our Money Laundering Prevention Policy Manual
  - d. Our Cash Transaction Report form
  - e. Our Suspicious Activity Report form
  - f. Our bank Code of Conduct.
  - g. The Practice Note issued by the Financial Services Commission on Money Laundering
  - h. The Practice Note issued by the Financial Services Commission on Knowing Your Customer

It was our bank that became suspicious of the large amount of funds received by Benford Ltd. In our attempts to contact the beneficial owner, we determined that the beneficial owner was not aware of the quantum of funds in the company's bank account and that another person was claiming to be the beneficial owner. It was our bank that notified the police a year ago and when they took no action, we started our own Civil Action to ensure the funds were frozen. Full details of the Benford matter are provided later.

The Benford matter is the fourth instance in the last seven years where our bank has sought to freeze funds and assisted in proceeds of crime cases.

- (6) The banks with whom our bank has maintained correspondent banking relationships since 1/1/98 are set out below:

Correspondent:	Approx. date of inception	Status
Citibank	pre 1998	Closed
Standard Chartered Bank	Feb 2000	Operating
ANZ Bank (Vanuatu) Ltd	pre 1998	Operating
Westpac Banking Corp.	pre 1998	Operating
Bank of Hawaii	pre 1998	Operating
Banco National Ultramarino	pre 1998	Operating
Banque d'Hawaii (Vanuatu) Limited	pre 1998	Operating
ING Bank	pre 1998	Operating
Banca Commercial Italiana	pre 1998	Operating
ANZ Bank Ltd. Fiji	Aug 1998	Operating
Deutsche Bank Netherlands	pre 1998	Closed

We used to have an extensive correspondent relationship with Citibank in each of USA, Australia, New Zealand, Canada, UK, and Hong Kong. This relationship has been recently terminated as the result of pressure of US regulatory organizations and other organizations such as yourselves who may have been told we are involved in money laundering because we have not assisted Mr. Rob Evans to repatriate monies that are believed to be proceeds of crime but for which no one has been charged and no conviction obtained. The monies in question are frozen by order of the Supreme Court of Vanuatu and our bank is accountable to that court for the funds. Failing to override the court here and so far unsuccessful in confiscating an equivalent amount of our bank's funds in Australia, we believe Mr. Evans may be attempting to smear our good name. We also have been told he receives a significant percentage commission for the funds he is able to return to the USA. He does not have the right to try to run over the top of the courts in other countries. Those matters are before the courts in Vanuatu and Australia and will be resolved in accordance with the law. The sad thing, from our point of view, is the loss of our relationship with Citibank. We invite you to talk with Mr. Chris Moore, Vice President of Citibank in Sydney about Citibank's relationship with our bank.

- (7) The role that correspondent banks play in our bank's operation is, like all international banking, a critical one. All banks place deposits denominated in foreign currency either directly or indirectly with a correspondent that operates in the country of that currency. It is only Vatu, our domestic currency, that would not be held by a correspondent bank somewhere. As the Vatu is not an internationally used currency, virtually all of our bank's assets are on deposit with our correspondent banks. Even within Vanuatu, residents generally do not hold their investments in Vatu, so deposits we receive from locally based depositors will invariably be denominated in a currency other than Vatu. For us to pay interest on that deposit, we must in turn deposit it through the interbank system with one of our correspondent banks.

The impact felt by European Bank as a result of several large banks earlier this year announcing that they would not process funds transfers to or from Vanuatu was mostly psychological but of grave concern to our banking industry and the government as the bans were not instituted on the basis of fact. There is no money laundering problem through the Vanuatu banking system. I led a high level government delegation to the USA where we talked with the banks who instituted the bans and various government bodies involved in banking supervision. A copy of our Press Release upon return is enclosed (Exhibit 7-a)

delegation that they had studied the situation and decided that there was no reason to instigate such a ban. Banker's Trust told us that they knew that if their ban on Vanuatu was not justified, they would have a delegation knocking on their door, which they did.

Bank of New York, from Day One of their ban, exempted ANZ and the Reserve Bank of Vanuatu, with whom they have direct correspondent banking relations. They also exempted some of the banks that European Bank represents in their Vanuatu operations. Those exemptions together with the subsequent lifting of the bans on the five local banks resulted in little disturbance to the operations of our bank. If there is any money laundering taking place by Vanuatu entities, they are doing it through bank accounts in other countries and it is the banks in those other countries that do not know their customers.

- (8) Our bank has no correspondent relationship with Chase Manhattan Bank so the following comments relate to our relationship with Citibank.
- (a) copies of account opening documentation are enclosed (Exhibit 8-a).
  - (b) check clearing, telegraphic transfers, foreign exchange, bank drafts, investment facilities in multiple currencies, nostro account, bank bills.
  - (c) In respect of Citibank, before they opened any account for us they physically sent a delegation to Port Vila to see, first hand, our operation and to review our systems and controls. While here, they met and talked with representatives of our government to gauge our reputation in the country. Subsequently, normally every six months, they would send one or two persons to Port Vila to do a due diligence exercise to satisfy themselves that we were maintaining our standards and to review our policies. They have always treated us in a very formal and professional manner. Citibank, during their visits would have seen and taken note of our policies in relation to money laundering.
- (9) Euro Bank of the Cayman Islands (no relationship to our bank) had referred other business to us in the past. We knew Euro Bank to be a fully licensed local bank in the Caymans. A Euro Bank manager contacted our subsidiary, European Trust Company Limited ("EUT") asking if EUT would incorporate an investment company for one of their clients. EUT provided Euro Bank with its company incorporation request forms which they had completed by the client and forwarded to us by fax, together with a copy of Vanessa Clyde's British passport page with her picture on it. The funds to be transferred to the new company were with Euro Bank and as part of a geographical diversification program were to be moved to Vanuatu and left on deposit here, until required. This is not at all an unusual estate planning procedure for a retired woman and did not cause us any concern. The monies were already on deposit offshore in a known bank located in a reputable jurisdiction and the English often place funds in multiple English and ex English jurisdictions. The source of the funds was Euro Bank where the funds were then currently on deposit. The initial transfer, US\$ 100,000.00 was not of a size to cause any concern. Copies of our bank opening documents are enclosed (Exhibit 9-a). Copies of documentation and correspondent between EUT and Euro Bank / client are also enclosed (Exhibit 9-b).

The second transfer of 16/3/99 (for US\$2,800,000) was not expected and we phoned Euro Bank to ask the nature of the funds. We sought to find out if the funds were coming into Benford as capital, and if so who was to be the shareholder or if they were coming in as a loan, who was the creditor. Euro Bank told us they would get back to us with the answers.

Subsequently, Ms. Clyde (with an American accent) phoned and said she also wanted to have a company created for an associate. Sue Phelps, of European Trust Company advised that EUT could do that but EUT would need its forms completed and independent references provided on the associate as EUT did not know anything about him, whereas Ms Clyde had been introduced by Euro Bank whom EUT knew. An application form was received but no passport copies or references, so no account was opened.

- (10) It is important to clearly establish that the four deposits into our bank's correspondent account with Citibank between 18 February 1999 and 9<sup>th</sup> April 1999, being the subject of your query, were for benefit of our bank's account with Citibank. Benford has never had a bank account with Citibank. The narration on those in-bound transfers is to indicate to our bank who is our creditor, which in those transactions was Benford Ltd.

No other funds were received by our bank for the credit of the Benford account, in our correspondent account at Citibank or any other correspondent bank of ours. Copies of the written enquiries and diary notes made by our bank or EUT in respect of the account and who was the beneficial owner are included in Exhibits 9a-b.

- (11) Enclosures B to your letter are the transaction reports of Citibank in relation to some of the funds of European Bank held with Citibank. For a period of time ending on 20 September 1999, we had on deposit with Citibank a sum whose principal and interest at maturity on 20 September 1999 was US\$ 7,561,082.83. Leading up to maturity we asked Citibank and several other banks to bid on the deposit for the succeeding 30 days and ANZ was high bidder (they had held that deposit before it moved to Citibank). As a result, we instructed Citibank to transfer it to our deposit account with ANZ Bank. They did so.

On 20 October, leading up to the maturity of the deposit with ANZ, we asked ANZ and other banks, including Citibank to bid on the deposit for the succeeding 30 days and Citibank was the high bidder. We instructed ANZ to transfer the principal and interest at maturity to Citibank. They did so.

The purpose of the transfers was to obtain the highest interest rate (return) possible for our deposit. We do this for all maturing deposits we hold with other banks. The transfers did not relate to the Benford account. Benford had (and has) its deposit with our bank. The deposit we had with ANZ and Citibank was an amount which was greater than the amount of funds on deposit with us from Benford, and there was no greater or lesser relationship of Benford funds with us to that Citibank deposit than there was to any other deposit of our bank with any of our correspondents.

You would be well aware that the basic definition of banking business is the acceptance of deposits and their on-lending at the risk of the deposit accepting bank. The original depositor has no idea what its bank has done with the funds deposited and does not care as it is not his problem. If, for example, Citibank fails to repay our bank the funds we have on deposit with it, we must still repay Benford Ltd and all other depositors of ours as they are our creditors. That is basic to the law of contract.

- (12) Our developing concerns and history of the account are as set out in (Exhibits 9-b and 10) referred to above. Between 16 March 1999, the date when we received a substantial sum and sought explanations in relation thereto from Euro Bank, and 8 April 1999, when we received two more unadvised transfers, we were not overly concerned as we were awaiting explanations and the funds were almost all remaining with us. From 8 April onwards we were increasingly concerned as we did not know who the remitter was (other than Euro Bank) and we by then had more than one person claiming to be Ms Clyde. In discussions with the English accented woman, to whom we had sent correspondence in London, we learned that she did not know of the quantum of funds that had been transferred to her account and told us she would get back to us. We told her we were internally freezing the funds until the nature of the funds was established and she agreed, a password being established between to ensure that in the future we knew which Ms. Clyde we were dealing with.

On Friday 28 May, our time, we received a faxed copy of the letter from Maples and Calder which advised that Controllers had been appointed to Euro Bank and that it was believed the funds received by Benford had come from Mr. Kenneth Taves' companies or originated from Mr. Taves and that a Receiver had been appointed in the USA over Mr. Taves' affairs. Further, serious credit card fraud was alleged and the Receiver appointed might take steps to trace the funds originating from the fraud. There was nothing to substantiate that any of the transferees to our bank were Mr. Taves or any company associated with him, and the bulk of the funds had come from two individuals, neither of whom were Mr. or Mrs. Taves. Notwithstanding the lack of any direct connection to Benford, other than Euro Bank was the remitter to our bank and Euro Bank might have claims against it, it was decided to make a report to the police pursuant to Section 19 of the Serious Offences Act, as we already were concerned about the operation of the Benford account. The report was filed on the next business day, Monday 31 May with the Commissioner of Police.

In the subsequent months, no action was taken by the Police here and we were not able to obtain any clarification from Euro Bank (who no longer responded to our queries). We approached the Attorney General of Vanuatu and expressed our concerns at the lack of action and were told that the proper body to take action was the Public Prosecutor who would act on the instructions of the Police. By mid-July we were concerned that we might have a direct order given to us by one or more persons claiming to be Ms. Clyde and although we had internally frozen the funds, we had no statutory or court backing to our internal decision. We thus approached the court in a Civil Case. The International Companies Act was newer than the Serious Offences Act and it was not certain if the International Companies Act provisions would take precedence over the Serious Offences Act. We also wanted to provide a reason for the judge to issue a freeze order until the matter was resolved. He did so, and thus we henceforth could legally reject any request for funds until the court ruled on the matter. A copy of the Order is enclosed (Exhibit 12a).

In September, the Police finally started to investigate the matter. This ultimately resulted in the Public Prosecutor obtaining a freeze order in a criminal action against Benford. Our bank was the object of the court freeze order, directing us to not disburse any funds of Benford with us without the further order of the court. A copy of the Order is enclosed (Exhibit 12b). Both the civil and criminal orders remain on foot until today, and the funds remain frozen with us until the Supreme Court of Vanuatu can be satisfied as to the identity of the remitters of the funds to Benford and the true nature of the funds.

In the ordinary course of events, when a court of competent jurisdiction rules on the source of the funds and their nature, then that court decision will be submitted to the Supreme Court of Vanuatu and our court will make a ruling as to the disposition of the funds and we will have to comply with that order. If it is established that the funds are proceeds of crime and the victims can be positively identified, then the court will direct that the victims be reimbursed. If the victim or victims cannot be positively identified, then the court will hear submissions as to how the funds should be applied.

In December 1999, Mr. Rob Evans came to Vanuatu and tried to overturn the freeze order in the Civil case, and the freeze order in the Criminal case. He failed in both attempts as although he had an impressive array of information, none of it had been presented to any court, no person had been indicted in respect of the alleged fraud and no verdict of guilt or innocence delivered by any court. In the circumstances, our Supreme Court took the view that until the true nature of the funds and their ownership could be properly established, the monies should remain frozen, subject to further order of the Court.

- (13) Mr. Rob Evans, having failed to obtain the lifting of the Vanuatu freeze orders and the repatriation of the funds to the USA where, we have been told, he would obtain a commission on the funds repatriated, decided to try to obtain a court order in Australia against European Bank, knowing that Citibank was the correspondent of European Bank. He was successful in obtaining a freeze and confiscation order in a Criminal case there, wherein the New South Wales Crimes Commission is the plaintiff and Citibank and European Bank are the defendants. This was after failing to obtain a similar order in a Civil case he started there. It is interesting to note that the NSW Crimes Commission obtained the freeze order by way of a Mareva injunction on a Sunday night at a judge's home on the basis that the monies might move out of the jurisdiction if the order was not granted. A Mareva injunction is granted with the defendant not being present to present its side of the matter. The judge was not told that there were already two freeze orders against European Bank in Vanuatu and that the matter was already before the Vanuatu Supreme Court.

The reason that our bank is contesting the court action in Australia is very simple. The deposit of our bank with Citibank is our funds and not the money of any of our clients. We are principals, not fiduciaries in this matter. Further, the amount frozen and subject to the confiscation order is in excess of the amount that Benford has on deposit with our bank. More importantly, we are at risk with our money. If the deposit is confiscated in Australia that does not relieve us of our liability to account to our Supreme Court for the Benford deposits with us, and if for any reason no conviction is obtained, the Supreme Court will have to lift the freeze order and we will have to repay to Benford the principal and interest. However, if Mr. Evans succeeds in Australia, we will not have sufficient funds to meet our obligation. So it is very simple why we are contesting the action in Australia. We are in double jeopardy for having blown the whistle, instead of being thanked for our initiative. Also, there is a serious matter of one court interpleading in a matter that is already before another court. If the Australian judge had been told that the funds were already frozen, we don't believe he ever would have issued the order he did. Instead he was told that Mr. Evans had obtained a freeze order in Vanuatu (totally untrue and the reverse of what Mr. Evans had been trying to do in Vanuatu) and that our bank had moved the money out of the jurisdiction before the Vanuatu freeze order obtained by Mr. Evans could be enforced. As you can see from the records you hold, our funds in US\$ were placed with Citibank long before Mr. Evans made any approach in Vanuatu. All this must come out in the case in Australia and we will be seeking damages for our expenses incurred and a dismissal of the orders in Australia. If successful it will bring the matter back to Vanuatu where the two freeze orders remain in effect.

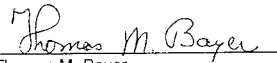


3201

I trust the above information and enclosures will allow you to gain a clear understanding of our rules and documentation regarding money laundering and of our position regarding the alleged proceeds of crime currently frozen with us and the steps we have taken and will continue to take to insure that the matter is properly dealt with by the law. We remain available if you have further questions and would be happy to arrange for the Attorney General's office here to also talk with you if you would like any of the above information clarified by our judiciary.

You may also wish to contact Mr. Richard A. Small, Assistant Director, Division of Banking Supervision and Regulation of the Board of Governors of the Federal Reserve System in Washington, or Mr. Paul N. DerGarabedian, Senior Financial Enforcement Officer of the Financial Crimes Enforcement Network, Department of the Treasury (FINCEN), who both have been here within the last month on an evaluation of Vanuatu. During their visit the Benford case was extensively canvassed.

Sincerely,



Thomas M. Bayer  
Executive Chairman

I:\CLIENT\VEUBICC\1759 US Senate.doc

Exhibit 5a



## European Bank Limited

International Building,  
P O Box 65,  
Port Vila,  
Vanuatu

Telephone: (678) 27700  
Fax : (678) 22884  
Email : info@europeanbank.net  
Web : www.europeanbank.net

### LIST OF DOCUMENTS REQUIRED TO OPEN A PERSONAL ACCOUNT

ACCOUNT NAME: \_\_\_\_\_ NO: \_\_\_\_\_

A) Compulsory Documents:

- ☐ 1.1 - Personal Account Opening Form
- ☐ 1.2 - Money Laundering Prevention Questionnaire dot
- ☐ 1.3 - Specimen Signature Form
- ☐ 1.4 - Beneficial Ownership Form
- ☐ 1.5 - Photocopy of Passport (copy must be signed and notarized by a Notary Public or equivalent)) and Police Clearance or equivalent.
- ☐ 1.6 - Acknowledgement & Agreement form.
- ☐ 1.7 - Statutory Declaration form.
- ☐ 1.8 - Bank References

B) Optional Documents:

- ☐ 2.1 - Power of Attorney
- ☐ 2.2 - Telephone, Facsimile, E-mail Indemnity form
- ☐ 2.3 - Fiduciary Agreement
- ☐ 2.4 - Portfolio Management Mandate
- ☐ 2.5 - Investor's Profile
- ☐ 2.6 - Deed of Pledge

3203

**ACCOUNT OPENING QUESTIONNAIRE - PERSONAL ACCOUNT**

TO: European Bank Limited \_\_\_\_\_ day of \_\_\_\_\_ 200\_\_\_\_\_  
P.O. Box 65  
Port Vila, VANUATU

Account to be opened:- Current Account ☐ Investment Call Account ☐  
- Term Deposit ☐ Fiduciary Deposit ☐  
- Investment Portfolio ☐

Account to be styled as: \_\_\_\_\_  
If this is a joint account, each joint holder must complete this form in respect of him/herself.

NAME: \_\_\_\_\_

RESIDENTIAL ADDRESS: \_\_\_\_\_

MAILING ADDRESS: \_\_\_\_\_

TELEPHONE NO: \_\_\_\_\_ FACSIMILE NO: \_\_\_\_\_

EMAIL ADDRESS: \_\_\_\_\_ DATE OF BIRTH: \_\_\_\_\_

NATIONALITY: \_\_\_\_\_ PASSPORT NO: \_\_\_\_\_

1. My current financial position is set out below/attached:

LIABILITIES	ASSETS
Banks (Secured) _____	Cash at Bank _____
Banks (Unsecured) _____	Deposits _____
Finance Companies _____	Marketable Investments (Market Value) _____
Mortgages _____	Non-Marketable Investments _____
Sundry Loans (Secured) _____	Accounts Receivable _____
Sundry Loans (Unsecured) _____	Life Assurance (Cash Surrender Value) _____
Income Tax Payable _____	Real Estate _____
Accounts Payable _____	Furniture, Fittings - Home _____
Other Liabilities _____	Motor Vehicles _____
_____	Equity in Business or Company _____
_____	Superannuation, Pension Benefits _____
_____	Other Assets _____
_____	_____
NET WORTH (DEFICIT) _____	_____
TOTAL LIABILITIES _____	TOTAL ASSETS _____

2. (a) I was referred to European Bank Limited by \_\_\_\_\_  
 (b) In case of need I suggest you refer to the following referees: \_\_\_\_\_

NAME	POSITION	ADDRESS	TELEPHONE	FACSIMILE

3. In case of my death or incapacity you may discuss my confidential affairs with \_\_\_\_\_ of \_\_\_\_\_
4. NAME, ADDRESS OF MY BANKER(S): \_\_\_\_\_  
 I have banked with them for \_\_\_\_\_ years.
5. NAME/ADDRESS OF MY SOLICITOR(S): \_\_\_\_\_  
 Telephone \_\_\_\_\_  
 Name of person acting for me: \_\_\_\_\_  
 Telephone: \_\_\_\_\_
6. NAME, ADDRESS OF MY ACCOUNTANT(S): \_\_\_\_\_  
 Telephone \_\_\_\_\_  
 Name of person acting for me: \_\_\_\_\_  
 Telephone: \_\_\_\_\_
7. I have not:
- |  | True                     | False                    |
|--|--------------------------|--------------------------|
| a) ever been declared bankrupt or insolvent nor has my estate been assigned for the benefit of creditors.                  | <input type="checkbox"/> | <input type="checkbox"/> |
| b) been a director, officer or shareholder of a company of which a manager, receiver and/or liquidator has been appointed. | <input type="checkbox"/> | <input type="checkbox"/> |
| c) had a court judgement entered against me which still remains unsatisfied  | <input type="checkbox"/> | <input type="checkbox"/> |
| d) been arrested or convicted of any criminal offense  | <input type="checkbox"/> | <input type="checkbox"/> |
- I attach a full explanation in respect of any item I have ticked "False".
8. I will not request or direct European Bank Limited to carry out any illegal or questionable transactions.
9. I believe that the following additional information (if any) will be helpful in establishing a customer relationship with European Bank Limited.  
 \_\_\_\_\_
10. I understand that the foregoing information is for the confidential use of European Bank Limited and that it will not be disclosed to any third party not mentioned herein without my permission, except by operation of law or the direction of the Supreme Court of Vanuatu.

SIGNED \_\_\_\_\_

\_\_\_\_\_ print name



## European Bank Limited

International Building,  
P O Box 65,  
Port Vila,  
Vanuatu

Telephone : (678) 27700  
Fax : (678) 22884  
Email : Info@Europeanbank.net  
Web : www.europeanbank.net

Exhibit 56

### LIST OF DOCUMENTS REQUIRED TO OPEN A COMPANY ACCOUNT

ACCOUNT NAME \_\_\_\_\_ NO: \_\_\_\_\_

A) Compulsory Documents:

- ☐ 1.1- Company Account Opening Questionnaire
- ☐ 1.2 - Money Laundering Prevention Questionnaire.dot
- ☐ 1.3 - Specimen Signature Form
- ☐ 1.4 - Beneficial Ownership Form
- ☐ 1.5 - Incorporation Certificate, Memorandum & Articles of Association, Board Resolution (copy must be signed and notarized by a Notary Public or equivalent)
- ☐ 1.6 - Mandate for Accounts of a Limited Company form.
- ☐ 1.7 - Copies of Directors / Signatories passports (if not the original document then each page must be signed and notarized by a Notary Public or equivalent) and Police Clearance or equivalent.
- ☐ 1.8 - Acknowledgement and Agreement Form
- ☐ 1.9 - Statutory Declaration Form
- ☐ 1.10 - Bank References

B) Optional Documents:

- ☐ 2.1 - Telephone, Facsimile, Email Indemnity form.
- ☐ 2.2 - Fiduciary Agreement
- ☐ 2.3 - Portfolio Management Mandate
- ☐ 2.4 - Investor's Profile
- ☐ 2.5 - Deed of Pledge
- ☐ 2.6 - Credit Card Merchant Agreement

## ACCOUNT OPENING QUESTIONNAIRE - COMPANY ACCOUNT

TO: European Bank Limited \_\_\_\_\_ day of \_\_\_\_\_ 200\_\_\_\_\_  
P.O. Box 65  
Port Vila, VANUATU

Account to be opened:- Current Account ☐ Investment Call Account ☐  
- Term Deposit ☐ Fiduciary Deposit ☐  
- Investment Portfolio ☐

We hereby provide background information about ourselves.

Company Name: \_\_\_\_\_

Place/Date of Incorporation: \_\_\_\_\_

Registered Office Address: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Telephone No \_\_\_\_\_ Facsimile No: \_\_\_\_\_

Email Address: \_\_\_\_\_

Account to be styled as: \_\_\_\_\_

1. Our current financial position is set out below/attached:

LIABILITIES	ASSETS
Banks (Secured)	Cash at Bank
Banks (Unsecured)	Deposits
Finance Companies	Marketable Investments (Market Value)
Mortgages	Non-Marketable Investments
Sundry Loans (Secured)	Accounts Receivable
Sundry Loans (Unsecured)	Life Assurance (Cash Surrender Value)
Income Tax Payable	Real Estate
Accounts Payable	Furniture, Fittings – Home
Other Liabilities	Motor Vehicles
	Equity in Business or Company
	Superannuation, Pension Benefits
	Other Assets
NET WORTH (DEFICIT)	
TOTAL LIABILITIES	TOTAL ASSETS

3207

2. PARTICULARS OF DIRECTORS AND SECRETARY

FULL NAME	NATIONALITY	BUSINESS OCCUPATION : & PASSPORT NO.	DATE OF BIRTH

3. (a) We were referred to European Bank by \_\_\_\_\_  
(b) In case of need I suggest you refer to the following referees:

NAME	POSITION	ADDRESS	TELEPHONE	FACSIMILE

4. NAME, ADDRESS OF MY BANKER(S):  
We have banked with them for \_\_\_\_\_ years.

5. NAME/ADDRESS OF MY SOLICITOR(S):  
Telephone \_\_\_\_\_  
Name of person acting for me: \_\_\_\_\_  
Telephone: \_\_\_\_\_

6. NAME, ADDRESS OF OUR ACCOUNTANT(S):  
Telephone \_\_\_\_\_  
Name of person acting for me: \_\_\_\_\_  
Telephone: \_\_\_\_\_

8. We will not request or direct European Bank Limited to carry out any illegal or questionable transactions.

10. We believe that the following additional information (if any) will be helpful in establishing a customer relationship with European Bank Limited.  
\_\_\_\_\_

11. We understand that the foregoing information is for the confidential use of European Bank Limited and that it will not be disclosed to any third party not mentioned herein without my permission, except by operation of law or the direction of the Supreme Court of Vanuatu.

\_\_\_\_\_  
SIGNED

\_\_\_\_\_  
print name



## European Bank Limited

International Building,  
P O Box 65,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone: (678) 27700  
Fax : (678) 22884  
Email : info@europeanbank.net  
Web : www.europeanbank.net

### Money Laundering Prevention Questionnaire

Customer Name: \_\_\_\_\_  
Account Number: \_\_\_\_\_ Date: \_\_\_\_\_

European Bank Limited has responsibilities under the laws of Vanuatu in relation to the prevention of Money Laundering. For this reason we require your responses to the following questions prior to the opening of an account. We thank you for your understanding and co-operation with this requirement.

What is the amount and source of the initial deposit to this account, and how will funds be deposited (i.e. cash, bank draft, telegraphic transfer, travellers cheques etc.)?

\_\_\_\_\_

\_\_\_\_\_

How have the funds been acquired (i.e. from what business activity)?

\_\_\_\_\_

\_\_\_\_\_

What is the intended use of the account and funds?  
(Will it be used for business activities? If so what is the nature of the business?).

\_\_\_\_\_

\_\_\_\_\_

How long do you expect these funds to remain with the Bank? If appropriate where will funds be sent?

\_\_\_\_\_

\_\_\_\_\_

What is the expected size and frequency of deposits to the account and which country will be the likely source of these funds?

\_\_\_\_\_

\_\_\_\_\_

Do you anticipate making regular or frequent cash deposits in excess of USD 5,000 (or foreign equivalent)? If so what will be the source of this cash?

\_\_\_\_\_

\_\_\_\_\_

Please provide the name and address of your current bankers.

\_\_\_\_\_

\_\_\_\_\_

Can we contact this bank to obtain a bankers opinion? Yes ☐ No ☐

Signed: \_\_\_\_\_ Signed: \_\_\_\_\_

Name: \_\_\_\_\_ Name: \_\_\_\_\_



EUROPEAN BANK LIMITED  
PORT VILA, VANUATU

SIGNATURE (S) POUR PERSONNE (S) MORALE (S) / SIGNATURE (S) FOR COMPANY/NON INDIVIDUAL ACCOUNTS

NO

8901-

Titulaire  
Account Holder

La/les signature(s) déposée(s) ci-dessous m'engage/nous engageant valablement envers la Banque dans tout mes/nos rapports d'affaires.  
The signature(s) appended here below are fully binding upon me/us in respect of all my/our business relationship(s) with the Bank.

Nom, prénoms Surname, given names	Position / Title	Mode de signature individuelle/ collective Type of signature individual / collective	Cases non utilisées à rayer. Delete unused spaces Signature

Lieu, date/Place, date

3210



## European Bank Limited

International Building,  
P O Box 65,  
Port Vila,  
Vanuatu

Telephone : (678) 27700  
Fax : (678) 22884  
Email : [Info@Europeanbank.net](mailto:Info@Europeanbank.net)  
Web : [www.europeanbank.net](http://www.europeanbank.net)

Account N° \_\_\_\_\_ Contracting Party \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

### Declaration of the Beneficial Owners Identity

The undersigned hereby declare (mark with a cross where appropriate)

- ☐ that the contracting party is the beneficial owner of the assets deposited with the bank  
☐ that the beneficial owner of the assets deposited with the bank is

Full name (or firm): \_\_\_\_\_ Address/Domicile, Country: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The contracting partner undertakes to inform the bank immediately of any changes.

Place and date \_\_\_\_\_ Signature(s) \_\_\_\_\_  
\_\_\_\_\_

N° du compte / dépôt: \_\_\_\_\_ Cocontractant(s): \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

### Identification de l'ayant droit économique

Le/la soussigné(e) déclare (indiquer par une croix ce qui convient)

- ☐ que le cocontractant est l'ayant droit économique des valeurs confiées à la banque  
☐ que l'ayant droit économique des valeurs confiées à la banque est:

Nom, prénom / raison sociale \_\_\_\_\_ Adresse / Siège, Etat: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Le cocontractant s'engage à communiquer spontanément les modifications à la banque.

Lieu et date \_\_\_\_\_ Signature(s) \_\_\_\_\_

## MANDATE FOR ACCOUNTS OF A LIMITED COMPANY

Name of Company: \_\_\_\_\_

Registered Office: \_\_\_\_\_

To **EUROPEAN BANK LIMITED**  
 International Building,  
 P O Box 65,  
 Port Vila, Vanuatu

At a meeting of the directors duly held at \_\_\_\_\_

 \_\_\_\_\_ on \_\_\_\_\_ 20 \_\_\_\_\_ the following  
 resolutions were passed:

1. That a current account and deposit account/savings account\* be opened with EUROPEAN BANK LIMITED and any other account or accounts as may be subsequently directed by any \_\_\_\_\_ Director/s or by \_\_\_\_\_
2. That the Bank be instructed to honour and comply with all cheques, promissory notes and other orders drawn, and all bills accepted on behalf of the Company, whether the current account be in credit or overdrawn, to comply with all directions given for or in respect of any account or accounts of any kind whatsoever on behalf of the Company, and to accept and act upon all receipts for monies deposited with or owing by the Bank on any account or accounts in the name of the Company, provided that such cheques, promissory notes, orders, bills, directions or receipts are signed by any \_\_\_\_\_ Director/s or by \_\_\_\_\_
3. That any \_\_\_\_\_ Director/s or \_\_\_\_\_ be authorised to withdraw and deal with any of the Company's securities or property or documents of title thereto which may be deposited with the Bank for safe custody or in safe deposit from time to time, whether by way of security or otherwise.
4. That any \_\_\_\_\_ Director/s or \_\_\_\_\_ be authorised to arrange with the Bank for advances to the Company by way of discount, loans, overdraft or otherwise, and for the granting of credits and the issue of guarantees by the Bank from time to time as required, and to sign on behalf of the Company any form of deposit and withdrawal, Memorandum of Deposit, Letter of Trust, Mortgage, Hypothecation and Pledge relating to any securities or property or documents of title relating thereto to secure the said advances and any obligations, undertakings, instructions, guarantees, indemnities and counter-indemnities, and any other documents which may be required by the Bank in connection with the aforesaid facilities insofar as they are not by their nature required to be executed under the Common Seal of the Company.
5. That in the absence of any directions to the contrary, all accounts subsequently opened shall be operated and dealt with upon the terms set out above insofar as the same may be applicable.
6. That the Bank be forthwith supplied with a copy of the Company's Memorandum and Articles of Association (or equivalent document) and with a copy of each amending special resolution as soon as the same has been passed, and with sight of the Certificate of Incorporation and Certificate to Commence Business (if any).

7. That the Bank be supplied with a list of the names and specimens of the signatures of the Directors and any other person or persons authorised to sign on behalf of the Company, and be from time to time informed by notice in writing under the hand of the Chairman of the Company of any changes which may take place therein, and be entitled to act upon any such notice until the receipt of further notice under the hand of the Chairman of the Company.
8. That a copy of any resolution of the Board if purporting to be certified as correct by the Chairman of the Meeting shall as between the Bank and the company be conclusive evidence of the passing of the resolution so certified.
9. That all agreements, contracts, transactions, matters and things arising now or in the future out of or in connection with these resolutions shall be governed by and construed in accordance with British law as applicable in the Republic of Vanuatu or any laws replacing or amending the same pursuant to the Constitution of Vanuatu irrespective of the nationality or citizenship or country of incorporation of the Company or its directors, shareholders and officers as applicable.
- \* Delete whichever is not applicable
10. That these resolutions be communicated to the Bank and remain in force until an amending resolution shall have been passed by the Board of Directors and a copy thereof certified by the Chairman of the Meeting shall have been delivered to the Bank.

I HEREBY CERTIFY that the foregoing are true copies of the resolutions as entered in the Minute Book of the Company and are in accordance with the Articles of Association of the Company, or other constituent document.

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_

\_\_\_\_\_  
Director/Company Secretary

*N.B. All alterations and deletions must be initialled by the officer completing this form.*

**Directors**

Names of Directors in full

Specimen Signatures

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Other Authorised Signatories**

Names of other persons authorised to sign as above,  
in full

Specimen Signatures

\_\_\_\_\_  
(CAPACITY)

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
(CAPACITY)

\_\_\_\_\_  
\_\_\_\_\_



## European Bank Limited

International Building,  
P O Box 65,  
Port Vila,  
Vanuatu

Telephone : (678) 27700  
Fax : (678) 22884  
Email : [Info@Europeanbank.net](mailto:Info@Europeanbank.net)  
Web : [www.europeanbank.net](http://www.europeanbank.net)

### ACKNOWLEDGMENT AND AGREEMENT

The account holder takes due note and in consideration of the Bank making banking facilities available to the account holder, agrees that:

- i) The banking secrecy privilege protected by Section 381 of the Companies Act [CAP 191], the Trust Companies Act [CAP 10] and Section 125 of the International Companies Act No. 32 of 1992 is not unrestricted. The officers and employees of the Bank are liable to provide evidence in Vanuatu and information vis-a-vis statutory and government agencies and/or pursuant to orders made by the Supreme Court of Vanuatu when required to do so pursuant to the laws of Vanuatu (such as during a criminal proceeding). Such an obligation also exists vis-a-vis foreign authorities, in so far as the Republic of Vanuatu grants mutual assistance to the country concerned under legislation in force from time to time in the Republic of Vanuatu including the Serious Offences (Confiscation of Proceeds) Act No. 50 of 1989 and the Mutual Assistance in Criminal Matters Act No. 52 of 1989.
- ii) Subject to any overriding obligation imposed on the bank by the laws of the Republic of Vanuatu, all correspondence is to be mailed to the address of the account holder provided to the Bank on the opening of the account, provided however that the account holder may by direction made in writing signed by the account holder, direct that the Bank retain all or any correspondence. In such event, the Bank shall consider mail retained by the Bank pursuant to such direction as duly delivered and accepted by the account holder and incurs no responsibility whatsoever in this respect.
- iii) In the event the account holder elects by notice in writing to the Bank to be in a position to provide the Bank with instructions by telegram, facsimile or e-mail without prior nor subsequent written confirmation, the account holder hereby discharges the Bank and its staff from any responsibility for any error in transmission, wrong interpretation or duplication of instructions received by telegram, facsimile or e-mail and the Bank shall be entitled to consider valid all messages the Bank receives under the account holder's name. Further, the Bank shall in no case be held liable for having acted upon telegram, facsimile or e-mail instructions provided by any unauthorized party, and the account holder shall, prior to such election by the account holder being implemented, execute such documents as the Bank may require including, without limitation, a document indemnifying the Bank and its staff and agents in respect of the same.
- iv) All communications by the Bank shall be deemed to have been transmitted when sent to or held at the disposal of the account holder in accordance with its latest instructions. The date reflected on the copy of any communication or mailing record on the Bank's files shall be considered as conclusive evidence of the actual mailing date save in the case of manifest error.
- v) The Bank verifies the identity of the account holder and its respective representatives by comparing the signatures with the specimen signatures lodged with the Bank. The Bank is authorized to restrict its control to the aforementioned procedure, however, the Bank reserves the right to conduct a more thorough identity control. The account holder discharges the Bank from any damage arising from deficient authority or non-discovery of forgeries.
- vi) The Bank reserves the right to terminate its business relationship with the account holder at any time with immediate effect, particularly to cancel any advised or granted credit facilities or fund transfers in which case any outstanding shall become immediately due for repayment.

- vii) Subject always to any obligations imposed on the Bank under the laws of the Republic of Vanuatu, including such legislation as is referred to in paragraph (i) hereof, the account holder in addition hereby authorizes the Bank to release at any time and until further notice information pertaining to the status of the account holder's accounts or any transactions effected under such accounts to:

In relation to such parties as are herein named, the account holder hereby expressly discharges the Bank from compliance with any secrecy provisions in any legislation in force from time to time in the Republic of Vanuatu.

- viii) In the event the Bank or any of its officers or employees suffers any loss or damage or incurs any liability (including any fine or penalty) as a direct or indirect result of the assets deposited with the Bank being proven to be or suspected of being derived from proceeds of criminal activities, the account holder does hereby indemnify and continue to hold indemnified the Bank and each of its officers and employees against such loss, damage or liability.
- ix) The account holder hereby authorizes the Bank to make any application to the Supreme Court of Vanuatu or to seek to obtain directions from the Supreme Court of Vanuatu in respect of assets deposited with the Bank should any conflict arise out of any of the matters referred to above or should there be any contravention or possible contravention of any of the provisions of the Companies Act, the Trust Companies Act, the Serious Offences (Confiscation of Proceeds) Act, the Mutual Assistance in Criminal Matters Act the international Companies Act or any other Vanuatu legislation from time to time in force, and the costs thereof shall be borne by the account holder.
- x) The above conditions are to be read in conjunction with any other conditions imposed by the Bank upon the account holder from time to time (including any conditions referred to in any statutory declaration given by the undersigned to the Bank in respect of the opening and/or operation of this account). In the event of conflict, these conditions shall prevail.

Full name of Account Holder

(If authorized representative  
account holder signing)

Full name of duly authorized representative of account holder

Address of person signing this document

Witness Signature

Signature

Name of Witness

Place & Date

3215



## European Bank Limited

International Building,  
P O Box 65,  
Port Vila,  
Vanuatu

Telephone : (678) 27700  
Fax : (678) 22884  
Email : [Info@Europeanbank.net](mailto:Info@Europeanbank.net)  
Web : [www.europeanbank.net](http://www.europeanbank.net)

ACCOUNT HOLDER: \_\_\_\_\_ ACCOUNT NO: \_\_\_\_\_  
ADDRESS: \_\_\_\_\_

### STATUTORY DECLARATION OF ACCOUNT HOLDER IN RELATION TO THE OPERATION OF THE ACCOUNT

- I/We, \_\_\_\_\_ do hereby solemnly and sincerely declare as follows:
- † 1. I am/we are trustees in respect of the above Account. There are no individual beneficiaries with a legal or equitable interest.
- † 1. I am/We are the beneficial owner of the assets to be deposited with the Bank for the credit of the above account.
- † 1. The following person(s) is/are the beneficial owner(s) of the assets to be deposited with the Bank for the credit of the above account:

Name	Extent of Interest	Address
_____	_____	_____
_____	_____	_____

2. The deposits credited to be credited to the abovementioned account are not derived from, nor are proceeds of, any forms of unlawful activity whatsoever.
3. I/We have been made aware of legislation in Vanuatu including but not limited to the Serious Offences (Confiscation of Proceeds) Act No. 50 of 1989 and the Mutual Assistance in Criminal Matters Act No. 52 of 1989 which I/we understand is designed to prevent amongst other things the laundering of proceeds of criminal activities. If I am/we are not the beneficial owners of the account I/we have provided to the beneficial owners a copy of the terms of this statutory declaration and the accompanying documents relating to the above bank account and have specifically made the beneficial owners aware of legislation in Vanuatu including but not limited to the Serious Offences (Confiscation of Proceeds) Act No. 50 of 1989 and the Mutual Assistance in Criminal Matters Act No. 52 of 1989.
4. If European Bank Limited should receive advice from any statutory or Government agency or body that any deposits for the credit of the above account holder have been proven to be or are suspected of being proceeds of criminal activities, and receive evidence of such proof or suspicion, then I/we authorise the Bank to release all information concerning the deposit of funds together with all such other information it has (or has access to) concerning the account holder, the beneficial owner or any person whom the Bank believes to be entitled to the funds on deposit in the account, to the proper authorities.
5. I/We undertake to inform the Bank immediately of any changes.

And I/We make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1835 (U.K.).

Declared at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

Before Me: \_\_\_\_\_  
Commissioner for Oaths/Justice of the Peace

\_\_\_\_\_  
Client Signatures

[Delete whichever do not apply]

I:\CLIENT\IEUB\spms\AC-StatDec.dot

## EXTRACT

NCSR March 2000

Money Laundering and Financial Crimes Country Reports

**"Vanuatu (Concern).** Despite progress in adopting anti-money laundering legislation, there continue to be concerns regarding the operations of the Vanuatu offshore financial sector that, in 1999, received considerable international attention because of alleged ties to Russian criminal activities. The government has moved to tighten application procedures for new International Companies (ICs) and for "exempted" (i.e. offshore) banks, aiming especially at possible Russian connections.

The offshore financial center of this chain of South Pacific islands contributes significantly to the government's revenue base. Vanuatu's offshore sector consists of exempted banks, ICs, insurance companies, internet gambling and trusts. Of these, ICs are of the greatest concern. Vanuatu's incorporation statutes contain provisions that shield the identity and assets of beneficial owners of business entities. In 1999, in response to indications that Russian entities were taking advantage of Vanuatu's company secrecy provisions, the Russian Central Bank issued a directive requiring Russian banks handling government funds to exercise caution in transactions involving certain Pacific jurisdictions, including Vanuatu ICs. The anonymity and secrecy provisions available through ownership of Vanuatu ICs, along with the ease and low cost of incorporation, make them ideal mechanisms for tax evasion and money laundering schemes.

The legislative basis for establishing International Companies is the Companies Act of 1986 and the International Companies Act of 1992. These statutes do not require the disclosure of beneficial ownership, permit bearer shares, allow the marketing of shelf companies, and do not allow public access to registers of directors or managers. In addition, corporate names may be in any language and script. Vanuatu ICs have all the powers of a natural person other than engaging in banking or insurance activities. Officers, shareholders, and directors may be of any nationality and live anywhere. Their names need not be disclosed on incorporation records. Corporate entities may be listed as officers and shareholders. Marketers of offshore services via the Internet promote Vanuatu registered shelf companies complete with associated offshore bank accounts and maildrop forwarding services.

Vanuatu also licenses 62 banks and insurance companies for offshore operations. Vanuatu's Financial Services Commission (FSC) regulates these businesses to varying degrees. Vanuatu is increasing its regulatory authority over these entities out of safety and soundness concerns. There is no statutory bank secrecy in Vanuatu. Offshore banks registered in Vanuatu are subject to FSC regulations, which include the requirement to report quarterly, disclose beneficial ownership and undergo external audits and banking supervisory inquiries.

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Vanuatu criminalized money laundering for all serious offenses with the adoption of the Serious Offenses (Confiscation of Proceeds) Act N° 50 of 1989. Tax evasion is not considered a predicate offense for money laundering. The Serious Offenses Act lacks two important provisions to effectively combat money laundering. One is a provision for the forfeiture of the instrumentalities used or intended for use in the commission of a money laundering offense. In this context, instrumentalities would be property used or intended to be used in any manner, wholly or in part, to commit a criminal offense. Seizure and confiscation of the instrumentalities as well as the proceeds of crime is very important in combating money laundering. The other is the lifting of corporate secrecy to establish beneficial ownership of legal entities that are the focus of investigations.

Vanuatu's legislation is silent on the standard of proof required for money laundering offenses. Case law in Vanuatu has shown that proving the criminal origins of proceeds, especially of offenses committed abroad, is extremely difficult. Linking criminal proceeds seized in Vanuatu with the offense committed abroad through a complex series of financial transactions conducted by related corporations operating in several offshore jurisdictions is all but impossible. Vanuatuan investigators and prosecutors are unfamiliar with investigating these schemes. These factors have limited Vanuatu's ability to comply with foreign requests for assistance.

Vanuatu has enacted legislation, the Financial Institutions Act N° 2 of 1999, which contains many provisions of the FATF Forty Recommendations to combat money laundering. It is also introducing draft legislation, the new International Banking Act, that according to Vanuatuan authorities will bring it into full compliance with FATF standards. Vanuatu has also established an Offshore Banking Supervision Unit that will monitor criminal abuse of its offshore banking sector to include money laundering. The unit is too new to determine its effectiveness. Vanuatu is a member of the Asia/Pacific Group on Money Laundering and the OGBS.

Vanuatu has made commendable progress in adopting anti-money laundering legislation. Vanuatu should consider amending its laws with respect to the instrumentalities of crime, lifting corporate secrecy of ICs for money laundering and applicable criminal investigations. It should also consider providing training to Vanuatuan investigators and prosecutors for complex international financial transactions typical of money laundering schemes.

3218

Exhibit 5h.

## VANUATU FINANCIAL SERVICES COMMISSION

Your Ref:

Our Ref: 0151

Please quote the name of the  
company in all correspondence



Financial Services Centre  
Carnot Street  
PMB 023  
Port Vila  
Republic of Vanuatu

Telephone: (678) 22247  
Fax: (678) 22242/23915  
Email: vfsc@vanuatu.gov.vu

### PRACTICE NOTE

5 May 2000

To all members of the Industry:

Knowing your customer is one of the basic requirements of our industry in our efforts to protect against crime generally and against money laundering in particular.

The local banking sector has been leading in developing procedures and forms to ensure that they know who they are dealing with when they open an account and when any changes are made in the ownership or operations of their clients.

The same efforts must be undertaken by all industry members who are administering "Schedule Three" companies, as set out in Cap 191. Most common of these are exempted banks and exempted insurance companies.

Every exempted bank and every exempted insurance company should, if they don't have already, establish formal procedures to identify their clients and maintain records of pertinent information about their clients for at least six years after the client ceases to be a client.

The industry is also reminded that the requirement to report suspicious transactions is not limited to local transactions. The obligation is equally applied to all transactions in respect of entities represented by members of the industry, including exempted banks and insurance companies.

A handwritten signature in dark ink, appearing to be 'Dudley Aru', written over a horizontal line.

Dudley Aru  
Commissioner

3219

Senate Permanent Subcommittee  
On Investigations  
EXHIBIT # 60b

**Exhibit 60b.**

**Citibank documents**

**EUROPEAN BANK MONTHLY ACCOUNT ACTIVITY  
AT CITIBANK  
January 1998-December 1999**

MONTH	OPENING BALANCE	DEPOSITS	WITHDRAWALS	CLOSING BALANCE
January 1998	\$51,600	\$3,665,819	\$3,696,455	\$34,664
February 1998	\$31,664	\$1,821,760	\$1,711,361	\$145,064
March 1998	\$145,064	\$2,437,018	\$2,415,062	\$167,020
April 1998	\$167,020	\$1,622,284	\$1,568,763	\$220,541
May 1998	\$220,541	\$2,210,457	\$2,102,815	\$328,183
June 1998	\$328,183	\$1,722,647	\$1,678,084	\$372,746
July 1998	\$372,746	\$2,714,000	\$1,412,137	\$1,134,609
August 1998	\$1,134,609	\$3,188,179	\$3,888,629	\$434,158
September 1998	\$434,158	\$5,572,689	\$5,069,024	\$937,823
October 1998	\$937,823	\$11,415,104	\$11,938,224	\$414,704
November 1998	\$414,704	\$5,033,054	\$5,305,670	\$142,088
December 1998	\$142,088	\$4,359,456	\$3,987,909	\$513,634
January 1999	\$513,634	\$3,588,709	\$3,916,399	\$185,944
February 1999	\$185,944	\$2,237,332	\$2,320,974	\$102,303
March 1999	\$102,303	\$8,505,525	\$7,117,827	\$1,490,002
April 1999	\$1,490,002	\$15,506,331	\$10,170,361	\$6,825,971
May 1999	\$6,825,971	\$3,284,932	\$9,904,192	\$1,016,711
June 1999	\$1,016,711	\$8,725,235	\$7,472,331	\$2,269,615
July 1999	\$2,269,615	\$51,826,202	\$53,009,742	\$1,086,075
August 1999	\$1,086,075	\$6,796,758	\$6,937,332	\$945,511
September 1999	\$945,511	\$18,641,703	\$17,862,655	\$1,724,559
October 1999	\$1,724,559	\$10,481,608	\$11,783,867	\$422,300
November 1999	\$422,300	\$5,159,706	\$5,474,264	\$107,742
December 1999	\$107,742	\$11,376,490	\$10,907,139	\$577,093
<b>TOTAL</b>		<b>\$191,892,998</b>	<b>\$191,651,216</b>	

Prepared by the U.S. Senate Permanent Subcommittee of Investigations, December 2000.

3221

FAX SENT ON 04 04 00 00 00 00

11111111

02/06/96 17:34 PG: 05/29

To: Richard Noon (APSYD:GF)  
 CC: Ron Churcher (APSYD:GF), Chris Moore (APSYD:GF)  
 From: Dick Headley (APSYD:GF)  
 Date: TUE 26-MAR-1996 06:17 PM AST  
 Subject: EUROPEAN BANK, VANUATU

FILE	012282	APC PLANS
DATE		COPIES OF
CALL REPORTS		CHART
CUSTOMERS		MANAGEMENT
DISSEMINATION		LEGAL
ANNUAL REPORTS		NEWS
HR		
SECTOR		

I ALSO MET WITH BAYER - THEIR BUSINESS APPEARS SOUND AND QUITE AN EFFICIENT OPERATION (HAVE OWN IT EXPERTISE) AND OR ALREADY USING HEXAGON; HKSB ( MIDLAN NY NOT COPING WITH LARGE CASH LETTER VOLUMES - CITI SHOULD HANDLE OK.

LOGISTICALLY TO SERVICE SHOULDN'T BE A PROBLEM ONCE UP AND RUNNING. CONSERVATIVELY I THINK THIS IS WORTH >\$20m.

IF THE ACCOUNT SHOULD BE ACCOUNT MANAGED NOT A RELATIONSHIP ACCOUNT PERSE.

DICK

Forwarded message:

To: Ron Churcher (APSYD:GF), Dick Headley (APSYD:GF)  
 CC: Tim Fancourt (APSYD:GF), Chris Moore (APSYD:GF)  
 From: Chris Moore (APSYD:GF)  
 Date: MON 25-MAR-1996 02:42 PM AST  
 Subject: EUROPEAN BANK,VANUATU

RICHARD BAYER, CHAIRMAN OF SUBJECT CALLED IN CONNECTION WITH REQUESTS TO CITIBANK TO OPEN USD AND AUD ACCOUNTS FOR THEM. BACKGROUND IS THAT GCB NY HAS ALREADY OPENED A CLEARING ACCOUNT, BUT DUE TO INABILITY TO EFFECTIVELY MANAGE FOREIGN BUSINESS, THE ACCOUNT IS NOT NOT OPERATIONAL. TOM SCHEIK HAS INVESTIGATED, AND SAYS THE ACCOUNT NEEDS TO BE CLOSED AND REOPENED WITH FIG NY, AND COULD THEN BE OPERATED PROPERLY USING CCM ETC. THIS WOULD REQUIRE ACTIVE SUPPORT FROM AUSTRALIA. SUBJECT OPERATES SEVERAL BUSINESSES OUT OF VANUATU. THE CLEARING REQUIREMENT RELATES TO THEIR CHEQUE COLLECTION BUSINESS FOR A NUMBER OF INTERNATIONAL MAIL ORDER ORGANISATIONS. CHEQUES ARE COLLECTED BY THE PRINCIPALS AND FORWARDED TO SUBJECT FOR COLLECTION. SUBJECT HAS CLEARING ACCOUNTS IN RELEVANT COUNTRIES FOR PURPOSE. USD TRAFFIC IS HIGH, ABOUT 10,000 ITEMS PER MONTH. DISHONOUR LEVEL IS HIGH, 5% OR MORE, DUE TO NATURE OF DIRECT MARKETING BUSINESS. LITTLE CREDIT IS REQUIRED, SUBJECT EXPECTS TO WAIT 5/10 DAYS BEFORE COLLECTING PROCEEDS. THEY HAVE SIMILAR NEEDS IN OTHER CURRENCIES, EG AUD, BUT VOLS ARE MUCH SMALLER. WE ARE ASSURED SUBJECT CONDUCTS EXTENSIVE DUE DILIGENCE ON CUSTOMERS, AND THERE IS NO QUESTION OF LAUNDERING (WE WOULD NEED TO CHECK THIS OUT). OUT OF THE DISCUSSION, AN OPPORTUNITY FOR WORLDLINK EMERGED. SUBJECT DISTRIBUTE INTERNATIONAL LOTTERY PRIZES, USING DRAFTS DRAWN ON THEIR VARIOUS INTERNATIONAL BANK ACCOUNTS. VOLS APPEAR QUITE HIGH, NEEDS FURTHER INVESTIGATION.

BAYER APPEARED A MAN OF INTEGRITY, HAS LIVED IN VANUATU 20 YEARS, HAVING INITIALLY GONE THERE TO MANAGE A TRUST FUND OWNED BY A CONSORTIUM OF BANKS INCL HKB. SOME YEARS AGO HE DID A BUYOUT, AND HAS SINCE DIVERSIFIED INTO A RANGE OF SERVICES. HE REPRESENTS THE GOVT AT INTERNATIONAL CONFERENCES. UNDERSTAND WE HAVE TO BE SATISFIED AS TO INTEGRITY ETC, THEIR BUSINESS WILL BE OPEN TO OUR SCRUTINY. ANZ IS PRINCIPAL BANKER IN HK AND AUSTRALIA, BUT THEY FEEL SERVICE COULD BE BETTER, REALLY NEED A BANK WITH WIDER REPRESENTATION. KPMG HAVE BEEN AUDITOR SINCE 1995, PREV PRICE WATERHOUSE.

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CG 006179

3222

100 0000 00 01 2 26000000

0110000

02/05/00 19:52 Pg: 26/29

NEXT STEPS

RON TO ARRANGE PRICING,DOCS, REQUIREMENTS.SUBJECTS PRESIDENT ROBERT BOHN TO  
CALL ON US MAR 29,W/L DEMO, DECISION TO PROCEED THEN REQUIRED.  
SO FAR,RISK LOOKS ACCEPTABLE,FROM INTEGRITY AND CREDIT PERSPECTIVES.WE WOULD  
NEED A SMALL AMOUNT OF CREDIT FOR WORLDLINK,MAYBE ALSO SMALL CREDIT FOR  
CLEARING.GIVEN LARGE NUMBER OF SMALL (LESS THAN \$100) ITEMS,WE CAN PROBABLY  
ARRANGE SOMETHING.IT APPEARS A COLLATERAL DEPOSIT IS POSSIBLE.

CHRIS

-----  
Delivered: TUE 26-MAR-1996 06:17 PM AST

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CG 006180

3223

Fax sent by : 61 2 92394768

CITIBANK

02/06/96 19:32 Pg: 2/12

CMAP 26-MAR-96 07:13:24 007059  
To: Lisa Novick (USNYC:IFT)  
CC: Stephan Lang (USNYC:CCMD), Dick Headley (APSYD:CF),  
Chris Moore (APSYD:GF), Louis Patrickakes (USNYC:FIG-NA)  
From: Ron Churcher (APSYD:GF)  
Date: TUE 26-MAR-1996 05:14 PM AST  
Subject: EUROPEAN BANK - VANUATU

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Lisa,

We spoke with Stephan today relative to subject bank utilising Citibank New York as their USD clearer relative to clearance of cheques despatched locally plus Cash Letter.

Please see forwarded Citimail's of 25/3/96, 25/3/96 and 26/3/96 in this regard.

At this stage we need to confirm viability and pricing.

To restate parameters.

1. European Bank will deposit between 50,000 to 75,000 cheques of low value (up to \$100 each) to the account, the majority of which will be over the counter in New York. Some percentage will also be by way of Cash Letter (ICLS).
2. We expect returned items of between 2-5% by volume.
3. Credit relative to funds being available prior to assured clearance is not an issue at this time.
4. We expect CCM will be supplied to European Bank to manage the account.

Stephan has indicated you would be the best person to accommodate the account even though it is not entirely Cash Letter.

We urgently need indicative pricing by Thursday our time for the of the counter deposits (assume 80%) as well as Cash Letter component.

Could you touch base with Stephan in this regard as we have discussed with him.

We see this prospect as a very substantial revenue opportunity with other products (i.e. Worldlink) being at least as profitable as the USD Clearing Account.

Chris Moore can be contacted on 612.239.9459 and myself on 612.239.9418.

Thanking you in advance for your kind cooperation.

Kind regards

Ron.

CG 006181

FILE	
<input type="checkbox"/> CANCELL	<input type="checkbox"/> A/C PLANS
<input type="checkbox"/> DAILY REPORTS	<input type="checkbox"/> CREDIT C.A'S
<input type="checkbox"/> BAL. AU. OR	<input type="checkbox"/> CREDIT
<input type="checkbox"/> MONTHLY REPORTS	<input type="checkbox"/> MARKETING
<input type="checkbox"/> ANNUAL REPORTS	<input type="checkbox"/> LEGAL
<input type="checkbox"/> PFI	<input type="checkbox"/> NEWS
<input type="checkbox"/> OTHER	

FAX SENT BY : DL 2 24324700

CITIBANK

06/06/96 17:36 19: 17/27

CMAP 29-MAR-96 06:25:20 035828  
 To: Ron Churcher (APSYD:GF), Dick Headley (APSYD:GF),  
 To: Jennifer Booth (APSYD:GF)  
 CC: Lisa Novick (USNYC:IFI), Stephan Lang (USNYC:CCMD)  
 From: Chris Moore (APSYD:GF)  
 Date: FRI 29-MAR-96 06:25 GMT  
 Subject: EUROPEAN BANK

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## CALL REPORT

ROBERT BOHN, PRESIDENT AND CEO CALLING ON RON CHURCHER, JENNIFER BOOTH AND CHRIS MOORE, AT CITIBANK TO DISCUSS USD CLEARING, AUD CLEARING, WORLDLINK. DICK HEADLEY WAS ALSO INTRODUCED TO ROBERT. THIS MEETING WELL VERY WELL. E-BANK IS CLEARLY VERY KEEN TO HAVE A GLOBAL BANKING SERVICE. THEY ARE DISSATISFIED WITH HK BANK SERVICE, THE PRESENT USD PROVIDOR THRU MARINE MIDLAND, DUE TO SERVICE ISSUES AND A LACK OF CENTRAL RELATIONSHIP.

THE BASIS OF THE USD SERVICE REQUIRED IS THAT E-BANK DEPOSIT A LARGE NUMBER OF SMALL VALUE CHEQUES FOR CLEARANCE. E-BANK ACT AS CLEARER FOR A NUMBER OF INTERNATIONAL MAIL ORDER ORGANISATIONS. MONTHLY VOLS IN THE 3 MONTHS SPECIFICALLY

RECORDED, BEING JUN/JUL/AUG 1995, WERE BETWEEN 87,000 AND 95,000 ITEMS. AVERAGE VALUE WAS BETWEEN \$27 AND \$33 PER ITEM. ONE DEPOSIT PER DAY, NORMALLY 1004 VIA THEIR NY ADMINISTRATIVE OFFICE AT 90 WASHINGTON. (HOWEVER, MOST OF THE DEP PREPARATION IS DONE IN VILA, AND LATER ON IF THE BUSINESS IS CLEAN, IT COULD BE REMITTED AS A STANDARD ICLS. 90% OF CHEQUES ARE FOR LESS THAN \$400. E-BANK ARE NOT PRE-ENCODING. RETURNS IN SECOND HALF 1995 AVERAGED ABOUT 1.6% OF CHEQUES DEPOSITED, ONE MONTH 2.8%. DAILY VALUE OF DEPOSIT TYPICALLY 150M TO 200M. AVERAGE BALANCE LEFT ABOUT 1MM. (LISA, WE WILL FAX MORE INFO) FOR AUD, VOLS ARE FAR LESS.

## RISK ISSUES

E-BANK FULLY UNDERSTAND THE MONEY LAUNDERING CONCERNS WE NEED TO BOX, APPEAR TO BE QUITE INVOLVED WITH REGULATORS IN USA, IN TERMS OF MANAGING THE RISK. WE WILL BE ABLE TO CHECK E-BANK FILES TO GET UNDERSTANDING OF THEIR CLIENT, AND ACHIEVE CONFIDENCE THAT ACTIVITIES ARE LEGITIMATE. THEY UNDERSTAND WE WANT TO RUN LARGELY CREDIT RISK FREE FOR AT LEAST THE FIRST YEAR OF RELATIONSHIP. A COLLATERAL DEPOSIT IS ACCEPTABLE TO THEM IN PRINCIPAL. THIS MIGHT NOT BE NECESSARY FOR THE CLEARING ACCOUNTS GIVEN A 4 DAY HOLDBACK PERIOD SHOULD SEE MOST CHEQUES CLEARED, AND THE CLEARED BUT NOT AVAILABLE BALANCE SHOULD EXPLICITLY COVER UNCLEARED ITEMS. NOTE, RETURNED ITEMS ARE USUALLY WRITTEN OFF BY CLIENTS, BUT THEY LIKE INFO ASAP SO AS TO STOP GOODS DELIVERY IF POSSIBLE. INFO AVAILABLE ON CCM IS IMPORTANT, OR INFO OTHERWISE AVAILABLE TO E-BANK AHEAD OF THE ACTUAL PAPER BEING RETURNED.

THEY HAVE 5 SEPERATE BUSINESSES BEING

1. TRUST, VANUATU, FIJI, NEW ZEALAND
  2. FINANCE (THE BANK), INCLUDES A UK FINANCE CO, 2 CANADIAN FUND MANAGERS, (ABOUT 50MM AUM), FULLY REPORTED PUBLICALLY.
  3. CANADIAN INSURANCE (REINSURES MOST RISK OUT, USES CITICORP, RELATIONSHIP WITH GRAHAM BRIGGS)
  4. RESEARCH/PUBLICATIONS
  5. SHIP REGISTRY (ACTS FOR VANUATU GOVT, FLAG OF CONVIENCE)
- THEIR NY OFFICE WAS ORIGINALLY SET UP TO HANDLE THE SHIP REGISTRY NEEDS, HAS 12 PEOPLE, INCLUDING 4 HANDLING THE CHEQUE DEPOSITS. THIS TEAM HAS GROWN TO PRESENT LEVEL BECAUSE OF PROBLEMS WITH MARINE MIDLAND SERVICE. PRICING WAS LOOSELY DISCUSSED. WE WERE TOLD MARINE MIDLAND CHARGE \$5 FOR RETURNS, 10 CENTS FOR UNENCODED CHEQUES. HOWEVER, PRICING ISNT TOO SENSITIVE AROUND EXISTING LEVELS, SERVICE IS THE ISSUE. WE SHOULD PROBABLY BE OFFERING \$4 FOR RETURNS AND 8C FOR UNENCODED CHEQUES. (THAT WOULD GIVE AROUND 14M REVENUE PER MONTH, RON TO RESOLVE)

CG 006173



NEXT STEP RON AND JENNY RUNNING WITH OFFER LETTERS AND THE BUSINESS. CM  
TO ADDRESS RISK/COMPLIANCE. SITE VISIT TO FOLLOW ASAP (MID APRIL).  
CHRIS

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[illegible]

Author: CHRIS MOORE at DECPostmaster  
 Date: 15/4/96 6:14 AM  
 Priority: Normal  
 TO: Judy Barrett at SYDNEY-POST  
 CC: Colin McKeith at SYDNEY-POST  
 CC: Marilyn Martin-Rios at SYDNEY-POST  
 CC: Mike Thorpe at SYDNEY-POST  
 CC: Peter Mack at SYDNEY-POST  
 TO: TIM FANCOURT at DECPostmaster  
 TO: RODGER CHIPPINDALE at DECPostmaster  
 TO: THOMAS O'CALLAGHAN at DECPostmaster  
 CC: DICK HEADLEY at DECPostmaster  
 CC: RICHARD NOON at DECPostmaster  
 CC: RON CHURCHER at DECPostmaster  
 CC: JENNIFER BOOTH at DECPostmaster  
 CC: GREG WHITTLE at DECPostmaster  
 CC: BRAD NOWLAND at DECPostmaster  
 CC: BRETT LE MESURIER at DECPostmaster  
 CC: CHRISTOPHER P SHARP at DECPostmaster  
 CC: DABNEY CARR at DECPostmaster  
 CC: ELLIE COMERFORD at DECPostmaster  
 CC: FEB3-96 at DECPostmaster  
 CC: GABRIELLE BRIGER at DECPostmaster  
 CC: GARY CARROLL at DECPostmaster  
 CC: JOHN VAN DELFT at DECPostmaster  
 CC: SHANE TAYLOR at DECPostmaster  
 CC: STEPHEN PARSONS at DECPostmaster  
 CC: WILLIAM FERGUSON at DECPostmaster  
 Subject: EUROPEAN BANK VANUATU

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FILE	
DATE	
<input type="checkbox"/> CA/CPR	<input type="checkbox"/> A/C PLANS
<input type="checkbox"/> CALL REPORTS	<input type="checkbox"/> CODE II CA'S
<input type="checkbox"/> SUB ALLO'S	<input type="checkbox"/> CREDIT
<input type="checkbox"/> FM'S/SPREADS	<input checked="" type="checkbox"/> MARKETING
<input type="checkbox"/> ANNUAL REPORTS	<input type="checkbox"/> LEGAL
<input type="checkbox"/> UNR	<input type="checkbox"/> NEWS
<input type="checkbox"/> SECTION	

----- Message Contents -----

IT NOW SEEMS LIKELY A CASH PRODUCT RELATIONSHIP WILL COMMENCE WITH SUBJECT. DISCUSSIONS TO DATE HAVE BEEN STRICTLY CONFINED TO CLEARING OF A VERY HIGH VOLUME OF USD CHEQUES, IN AMOUNTS OF \$20/100 PER ITEM, A SMALL VOLUME OF SIMILAR SIZED AUD ITEMS, AND POSSIBLY SIMILAR FOR OTHER CURRENCIES. THERE IS PROSPECT OF DELIVERING WORLDLINK.

THE PURPOSE OF THIS MESSAGE IS PRIMARILY TO ADVISE OF THE PRECAUTIONS BEING TAKEN TO ENSURE THAT WE HAVE NO COMPLIANCE CONCERNS, PARTICULARLY BECAUSE OF VANUATU'S TAX HAVEN STATUS.

1. ALL INVESTIGATIONS TO DATE ON EUROPEAN BANKS STANDING SO FAR ARE POSITIVE.
2. THE NATURE OF BUSINESS BEHIND THE TRANSACTIONAL FLOW HAS SOLID COMMERCIAL GROUNDS AND THE CHARACTERISTICS OF THE FLOW MAKE LAUNDERING EXTREMELY UNLIKELY.
3. WE WILL BE GETTING ACCESS TO THEIR CUSTOMER BASE TO ALLOW VERIFICATION OF STANDING.
4. WE WILL BE VISITING VANUATU TO ENSURE THE BANK PHYSICALLY MATCHES THE CONSTITUTIVE PAPERWORK WE HAVE RECEIVED, AND THAT WE CAN BE COMFORTABLE WITH THEIR PRESENCE AND GENERAL STANDING, AS WELL AS THE MANAGEMENT TEAM.
5. WE WILL BE PROVIDING CLEARING SERVICES, AND WILL NOT BE USING EUROPEAN BANK FOR OUR OWN BANKING NEEDS.
6. WE WILL BE OPERATING ON A ZERO CREDIT RISK BASIS.
7. WE DO NOT ANTICIPATE FURTHER FACILITIES

IT SHOULD BE NOTED THAT THE REVENUE OPPORTUNITY IS SUFFICIENT TO SUSTAIN A SINGLE RELATIONSHIP IN VANUATU AND THAT IT HAS BEEN PROCEEDED WITH AFTER VERY IN DEPTH CONSIDERATION OF COMPLIANCE, TXB TARGET MARKET AND RELATED REVENUE ISSUES.

REGARDS

CG 006170

3227

FAX SENT BY : 01 2 2637100

CITIBANK

02/06/96 19:52 Pg: 6/29

Draft Citimail  
To: CHRIS MOORE  
Subject: EUROPEAN BANK

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FYI

Forwarded message:

CMAP 23-APR-96 22:05:20 036518

To: Chris Moore (APSYD:GF)  
From: Chris Moore (APSYD:GF)  
Date: WED-24-APR-1996 08:05 AM AST  
Subject: files

Forwarded message:

CMAP 23-APR-96 06:21:04 036504

To: Denny Harmon (USNYC:FIG-NA)  
CC: Jeff Stad (USNYC:FIG-NA), Nancy K. Moore (USTPA:CBTE),  
Frank Bunting (USTPA:CBTE), William De Filippis (USNYC:FIG-NA),  
Lisa Novick (USNYC:IFI), Cathy Varner (USBUF:CBTE),  
Stephan Lang (USNYC:CCMD), Ron Churcher (APSYD:GF),  
Denise L. Brown (USNYC:IFI)  
From: Chris Moore (APSYD:GF)  
Date: TUE 23-APR-1996 04:21 PM AST  
Subject: Re: EUROPEAN BANK/MONEY LAUNDERING PROCESS  
From: Denny Harmon Dat TUE-23-APR-1996 01:22 AM AST  
Message ID: CMNA 22-APR-96 15:20:41 005531

THE BASIS OF THE BUSINESS WILL BE CLEARING VIA ICLS ABOUT 4/5,000 USD CHECKS  
DAILY. NEARLY ALL WILL BE UNDER \$100 EACH. WE WANT TO BE ABLE TO MONITOR FOR  
LARGER ITEMS, SAY OVER \$250, AS MANY OF THESE MIGHT POINT TOWARD A LAUNDER.  
CAN YOU DO THIS ? CAN YOU INTEROGATE THE CASH ACCOUNT ON THIS BASIS, OR DO YOU  
NEED TO MANUALLY CHECK THE INCOMING TAPES OF ITEMS, THAT ACCOMPANY THE DEPOSIT  
SLIP LOOK FORWARD TO EARLIEST ADVISES.  
REGARDS

WE HAVE ALWAYS RECOGNISED X-R IS NEEDED FOR AUTO OSTBT, DOUGLAS SMEE HAS NOW  
CONFIRMED. YOU MIGHT WANT TO RAISE IT WITH HIM.

REGARDS

CMNA 19-APR-96 14:57:58 001112

To: Lisa Novick (USNYC:IFI), Denny Harmon (USNYC:FIG-NA),  
To: Jeff Stad (USNYC:FIG-NA)  
CC: Chris Moore (APSYD:GF), Ron Churcher (APSYD:GF),  
Cathy Varner (USBUF:CBTE), Stephan Lang (USNYC:CCMD)  
From: Denise L. Brown (USNYC:IFI)  
Date: SAT-20-APR-1996 12:58 AM AST  
Subject: European Bank

Jeff,

We have received a request to add European Bank, A/C# 36121226, to the list  
of FI's we monitor for money laundering. I discussed the addition with  
Denny who recommended I contact you directly. European Bank is located  
in Vanuatu, a high risk country, since it is a secrecy haven.

If you have any questions, please contact me.

Thanks and regards,  
Denise

CG 006160

3228

Fax sent by : 61 4 3639960

CITIBANK

06/05/96 19:32 Pg: 4/29

To: Tim Fancourt (APSYD:GF)  
CC: Ron Churcher (APSYD:GF)  
From: Chris Moore (APSYD:GF)  
Date: THU 02-MAY-96 03:26 GMT  
Subject: EUROPEAN BANK

CMAP 2-MAY-96 03:26:29 036746

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-----  
REFERENCE CHECK, HONG KONG BANK  
I CALLED HK BANK TO VERIFY REASONS FOR CLOSURE WITH MARINE MIDLAND.  
I HAD TOLD E-B I WOULD CALL RUSS SHIELDS IN THE FIRST INSTANCE, AND WAS ADVISED  
HE HAD BEEN THEIR MAIN CONTACT IN SYDNEY.  
RUSS WAS QUITE FAMILIAR WITH RELATIONSHIP AND CONFIRMED WHAT ROBERT BOHN  
HAD TOLD ME.  
THAT IS  
THE RELATIONSHIP IN THE USA WITH MARINE MIDLAND AND WITH HKB IN AUSTRALIA  
AND ELSEWHERE IS LONGSTANDING AND ALWAYS CONDUCTED WITHOUT PROBLEM. IT HAS  
BEEN "QUITE PROFITABLE" FOR THE HKB GROUP.  
THE HKB CEO KNOWS THOMAS BAYER WELL.  
HOWEVER, MARINE MIDLAND HAS BEEN UNABLE TO COME TO GRIPS WITH MONEY LAUNDERING  
RISK, AND HAS QUIT ALL RELATIONSHIPS WHERE THERE WAS ANY "UNKNOWN" IN THIS  
MATTER. THIS OCCURRED BECAUSE HK BANK ITSELF HAD INADVERTANTLY LAUNDERED  
A PILE OF TRAVELLORS CHEQUES THROUGH MARINE MIDLAND AND THE RESULTANT IMPACT  
ON MARINE MIDLAND BY THE REGULATORS IN THE USA. (NOTHING TO DO WITH E-B )  
RUSS ADVISED THAT HE HAD ATTEMPTED TO RETAIN THE BUSINESS, BUT MARINE MIDLAND  
WAS NOT PREPARED TO UNDERTAKE THE DUE DILIGENCE THAT COULD HAVE GIVEN THE  
PREREQUISITE CONFORT. HE REITERATED THAT THE ACCOUNTS, SPECIFICALLY IN AUSTRALIA  
AND AS FAR AS HE IS AWARE IN THE USA, HAVE ALWAYS BEEN CONDUCTED IMPECCABLY.  
HE IS ALSO DISSAPPOINTED TO LOSE THE REVENUE IN AUSTRALIA, BASICALLY STEMMING  
FROM LEFT BALANCES WHICH WERE USUALLY ABOUT 100 TO 150M. TRANSACTIONS HAVE  
BEEN LOW. ONCE THE CEO IN NY DECIDED TO CLOSE THE ACCOUNT THERE, HE HAD BEEN  
OBLIGED TO FOLLOW SUIT.  
HKB IS LOOKING AT FINDING A JOB IN HK FOR THOMAS BAYERS DAUGHTER, [REDACTED] WHOM  
WE MET. (QUITE TALENTED, MULTI LINGUAL). PERSONAL RELATIONSHIP EXISTS AT THE HK  
BANK  
CHAIRMAN LEVEL WITH T BAYER.  
IN SUMMARY, THERE IS NOTHING HERE THAT SHOULD PREVENT CITIBANK FROM ESTABLISH  
A RELATIONSHIP WITH E-B.

RD  
-----

CG 006158

3229

2 JUN 2000 19:33

CITIBANK TREASURY 61 2 92399690

NO. 8172 P. 31/31

CMAP 2-MAY-96 06:34:36 036757

To: Tim Fancourt (APSYD:GF)  
CC: Ron Churcher (APSYD:GF), Jennifer Booth (APSYD:GF)  
From: Chris Moore (APSYD:GF)  
Date: THU 02-MAY-96 06:34 GMT  
Subject: CALL REPORT EUROPEAN BANK

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RESULTS OF DISCUSSIONS IN VANUATU APRIL 30/MAY1 1996  
WE CALLED ON E-B AT THEIR PREMISES. OFFICES COMPRISED SEVERAL FLOORS IN  
PORT VILA, SEPERATING THE TRUST FROM BANKING FUNCTIONS. WE WERE INTRODUCED  
TO THE VARIOUS DEPARTMENTAL MANAGERS. LATER IN THE DAY WE WERE TAKEN TO MEET  
THE RESERVE BANK AND THE SUPERVISOR OF NON DOMESTIC BANK FINANCIAL INSTITUTIO  
WE WERE ALSO INTRODUCED TO THE KPMG LOCAL HEAD WHO DOES MOST OF THE GROUP  
AUDIT.

THE FRAMEWORK E-B OPERATES IN IS SUPERVISED BY THE VANUATU FINANCIAL SERVICES  
COMMISSION, WHICH COVERS MOST FIS EXCEPT THE DOMESTIC OPERATING BANKS, BEING  
WESTPAC, ANZ, BANK OF HAWAII AND THE GOVT OWNED NATIONAL BANK OF VANUATU.  
THE GROUP IS ROUGHLY SPLIT INTO TRUST ACTIVITIES AND FINANCIAL SERVICES, WHICH  
IS THE BANK.

THEY ARE ESSENTIALLY A PRIVATE BANK IN NATURE, EXPANDING INTO ADDITIONAL  
SERVICES SUCH AS CLEARING AND DRAFT ISSUANCE WHERE NICHES CAN BE IDENTIFIED. T  
ARE THE LARGEST GROUP IN THE OFFSHORE BANKING STRUCTURE IN VANUATU. MOST  
PARTIES OPERATING THERE ARE REPRESENTED THROUGH ONE OF THE ACCOUNTANCY OR  
LEGAL FIRMS. THE TRANSACTIONS THEY DEAL ARE ALMOST WHOLLY NON CASH. THE  
"SUITCASE OF MONEY" IMAGE IS NOT SOMETHING E-B HAVE EXPERIENCED, AND THEY  
WOULD AVOID SUCH DEALS. ONE COMMON FEATURE OF THE VARIOUS MEETINGS WE HAD  
WAS THE DESIRE OF ALL TO AVOID TRANSACTIONS WITH EVEN A HINT OF ILLEGALITY,  
AND A DESIRE TO BUILD A REPUTATION FOR INTERGITY OF VANUATU AS A BANKING  
CENTER.

IT WAS AT THIS POINT WE DISCUSSED HOW E-B VERIFIES STANDING OF PROSPECTIVE  
CLIENTS. PROCEDURES ARE QUITE "STANDARD" GOING THROUGH REGISTRATION POINTS  
(EG ASC) IN COUNTRY OF ORIGIN, AS WELL AS CRA TYPE CHECKS. WE WERE GIVEN A  
SET OF BIR TYPE FORMS USED, AND THESE WILL BE PROVIDED TO US IN RESPECT OF  
E-B CLIENTS WHOSE CHEQUES WILL BE CLEARED ACCROSS THE CITIBANK ACCOUNTS. THE  
CLIENTS HAVE APPROVED THE SUPPLY OF SUCH INFO TO E-B BANKERS, AND ARE WELL  
AWARE SUCH INFO COULD BE OBTAINED FROM US BY BANKING SUPERVISORS AND TAX  
AUTHORITIES  
OF "VARIOUS COUNTRIES."

AS PREVIOUSLY ADVISED TO US, E-B HAD ITS ORIGINS AS THE PACIFIC INVESTMENT  
TRUST (PITCO), EST IN 1972 AND BOUGHT OUT BY THOMAS BAYER IN 1984. TOM CAME  
TO VANUATU IN THE EARLY 1970S TO MANAGE THE BUSINESS, AND SAW ITS POTENTIAL  
WHEN THE CONSORTIUM OF OWNERS LOST INTEREST. WHILE E-B OPERATES AS AN "EXEMPT  
BANK (IE OFFSHORE) IT DOES HAVE A FULL DOMESTIC LICENSE, CURRENTLY INACTIVE. TH  
SEE DOMESTIC BANKING AS TOO COMPETITIVE AND EXPENSIVE, BUT MAY SET UP A BRANCH  
EVENTUALLY. (THERE IS SOME THOUGHT OF BIDDING FOR THE NATIONAL BANK WHICH  
THE GOVT WANTS TO QUIT, IF A GIVE OF ASSETS WENT WITH IT)  
GROWTH PLANS GENERALLY ARE QUITE CONSERVATIVE.  
THE BANK DOES VERY LITTLE LENDING, OCCASIONALLY MIGHT INTERMEDIATE FOR A  
CLIENT, USUALLY TAKING A COLLATERAL DEPOSIT. THEY CAN DO BUSINESS IN UK AND  
HK, BUT TEND NOT TO DUE TO TAX THERE.  
THEIR FUNDS MANAGEMENT SUB HAS ABOUT 50MM AUM. THEY HAVE WON A NUMBER OF  
AWARDS. WE MET THE MANAGER, ANGELA MANGAN, WHO HAS BEEN IN VANUATU FOR ABOUT  
A YEAR AND WILL STAY ANOTHER 2. HER BACKGROUND IS IN THE INDUSTRY IN MELBOURN  
THE GROUP PUBLISHES THE MIDAS ADVISORY NEWSLETTER WHICH IS WIDELY DISTRIBUTE  
IN AUSTRALIA.  
THE INSURANCE VEHICLE OF THE GROUP IS FIDELITY PACIFIC, WHICH IS INCORPORATED  
IN CANADA, WHERE IT HAS BEEN ABLE TO OBTAIN SPECIAL TAX STATUS. THE RELEVANT

CG 006155

fax sent by 01 4 26374100 01181000 06/06/00 19:32 Pg: 2/29

LEGISLATION THERE HAS NOW BEEN AMENDED TO PREVENT FURTHER SUCH INCORPORATIONS BUT F-P WAS GRANDFATHERED. (IT OPERATES TAX FREE FOR NON CANADIAN BUSINESS). CITICO LIFE THROUGH GRAHAM BRIGGS DOES REINSURANCE FOR F=P. THE VEHICLE ALSO PROVIDES MORTGAGE INSURANCE FOR THE VANUATU NATIONAL PENSION FUND. THIS IS A COMPULSORY NATIONAL SUPER FUND WHICH INVESTS BACK INTO THE LOCAL ECONOMY. CITICORP PROVIDES REINSURANCE. (WE HAVE DISCUSSED THE RELATIONSHIP WITH GRAHAM BRIGGS WHO HAS BEEN VERY POSITIVE ABOUT THE GROUP AND ITS MANAGEMENT) THE SHIPPING REGISTRY WAS TAKEN OVER ABOUT 3 YEARS ,ON APPROACH BY THE VANUA GOVT.THIS IS MAINLY ADMINISTERED OUT OF NEW YORK,AND IS FULLY LICENSED IN THE USA INCLUDING WITH THE IRS.

AT THIS POINT WE WERE INTRODUCED TO JUDITH KERE, THE FINANCIAL CONTROLLER,WIF OF EX RESERVE BANK GOVERNOR NOW MD OF GOVT COMMODITY BOARD, AND SUE PHELPS, HEAD OF SYSTEMS WHO HAS BEEN WITH E-B FOR 11 YEARS.SUE HAS BUILT MOST OF E-B'S SYSTEMS INCLUDING PROGRAMMING,ALLOWING THEM TO ONLY BUY IN STANDARD OFFICE PACKAGES LIKE WORD PERFECT ETC. ANGELA MANGAN CAME IN NEXT, AND WENT THROUGH THE FUND MANAGEMENT BUSINESS.SHE HAS 16 SEPERATE FUNDS COVERING ABOUT 350 CLIENTS,WHO HAVE UPWARDS OF 10M EACH,WITH A FEW IN THE MMS. MOSTLY INVESTED IN AUD AND USD. VERY CONSERVATIVE STRATEGY,AIMING TO KEEP FUNDS AT CALL,BUT WITH IBD RATES. THEY HAVE PUT SOME MONEY INTO MANAGED FUNDS,WITH BT IN AUSTRALIA. MOST FX IS DONE WITH ANZ,EITHER LOCALLY OR VIA HK. DEAL BONDS WITH HAMERO AND BZW,AND WITH MERRILLS ETC IN THE USA. (MOST BROKERS DEAL ON THEIR NAME,NE ASK FOR DATA FOR CREDIT EVALUATION)

TOTAL STAFF IS 52,WITH 10 EXPATS (TOM AND ROBERT ARE CLASSED AS LOCAL,HAVING LOCAL CITIZENSHIP)

#### REGULATORY

MAIN REGULATORY IS VFSC,HEADED BY EX ATTORNEY GENERAL JULIAN ALA. THE BANKING IS CONSIDERED WEAK,AND MOST POWER TO SUPERVISE IS DERIVED FROM THE CORPORATE LAWS,USED THESE IN PAST TO CLOSE DOWN A INTERNATIONAL SHARES SCAM THAT POPPED UP IN VANUATU.

THE VFSC COVERS BANKING,INSURANCE,SHIPPING AND BUSINESS NAMES. DOMESTIC SUPERVISION IS HANDLED BY THE RESERVE BANK. OFFSHORE BANKS MAY NOT DO DOMESTIC BANKING,BUT MAY HOLD ACCOUNTS WITH DOMESTIC BANKS.THE VFSL CONSIDER APPLICATIONS FOR OFFSHORE LICENSES,AND VERIFY STANDING THRU CHECKS WITH (FOR EXAMPLE) THE ASC AND AUST FEDERAL POLICE ETC).ONCE SATISFIED THEY RECOMMEND TO THE MINISTER .THEIR GOAL IS ATTRACT GENUINE BANKS AND GENUINE INVESTORS,AND HAVE SOUGHT TO CREATE AN ATTRACTIVE ENVIRONMENT FOR THEM,AND RECOGNISE THEY NEED BE VIGILANT TO WEED OUT FRAUDSTERS.THERE ARE 80 BANKS ON THE OFFSHORE REGISTRY,AND REVOCATIONS DO OCCOUR,(THOUGH MOSTLY FOR NON PAYMENT OF FEES).THE VFSC REQUIRES MEMBERS CLIENT LISTS TO BE SUBMITTED TO IT.

THE IMF HAS BEEN INVITED TO REVIEW THE BANKING ENVIRONMENT,E-B CONSIDER THE APPROACH BY THE IMF TO BE HEAVY HANDED AND EXCESSIVE,BUT RECOGNISE THE GOVT WANTS TO LIFT VANUATU'S REPUTATION,SO IS SUPPORTIVE. THE FED AND THE BANK OF ENGLAND CALL FROM TIME TO TIME. KPMG AUDIT ON STANDARD INTERNATIONAL PRACTISES.

E-B DOES NOT HANDLE ANY GOVT MONEY. TOM BAYER IS THE DEPUTY COMMISSIONER OF THE VFSC.ROBERT BOHN IS DEPUTY COMMISSIONER OF MARITIME AFFAIRS.

AT THIS POINT WE WENT TO THE RESERVE BANK, AND MET THE VFSC COMMISSIONER,AND ALSO AMRIT JOCIA,GENERAL ADVISOR TO THE RESERVE BANK,WE UNDERSTAND APPOINTED FROM IMF. THESE PEOPLE WERE ARTICULATE AND SHARP. IT WAS EVIDENT E-B IS

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CG 006156

3231

CGA 006157 1 1A 4 000000 00/00/00 17.36 Pg. 3/49

WELL CONNECTED WITH THEM. THE DISCUSSIONS WERE GENERAL, AND OUR UNDERSTANDINGS OF THE BANKING PROCESS WERE CONFIRMED. WE AGREED TO SUPPLY COPIES OF AFCA REGULATIONS ON FAILURE TO SETTLE ARRANGEMENTS IN AUSTRALIA, AND DETAILS OF THE AUDIT CERTIFICATES BANKS EXTERNAL AUDITORS SEND TO RBA. (CM TO SEND RELEVANT REGULATION)

OTHER

IN A FOLLOW UP CALL, ROBERT BOHN ADVISED THAT E-B WATCH THE TYPES OF PRODUCTS THE MAIL ORDER FIRMS THEY SERVICE PROVIDE, AND WILL SEND DOWN SOME BROCHURES. HE WAS CERTAIN THAT THERE IS NO UNDESIRABLE PRODUCTS LIKE GUNS THAT WE WOULDN'T WANT ANYTHING TO DO WITH (NOR WOULD THEY). WE ALSO DISCUSSED LOTTERIES, THEY HAVE NOT HAD MUCH TO DO WITH THESE IN PAST. THEY ARE AWARE THAT A COUPLE OF LOTTERY OPERATIONS USED VANUATU AS A BASE AND FAILED, LEAVING SOME LOCALS AND THE GOVT SHORT. THEY ASSURE ME THEY WOULD BE DILIGENT AS REGARDS FUTURE OPPORTUNITIES AND BRING US IN EARLY. ROBERT ALSO ADVISED HE MAY BE IN SYDNEY BRIEFLY LATE IN JUNE, AND COULD CALL IN TO MEET TIM AND OR BILL. WE WILL TOUCH BASE LATER ON TO SEE IF TIMES FIT. HE WILL ALSO BE IN NY MID JUNE AND COULD MEET OUR PEOPLE IF WE WANTED HIM TO, THOUGH HE PREFERS TO DEAL WITH SYDNEY FROM A RELATIONSHIP PERSPECTIVE.

FOLLOWUP

E-B TO PROVIDE CUSTOMER DETAILS OF FIRST TWO MAIL ORDER CLIENTS TO BE CLEARED THRU CIT (ONE VANCOUVER BASED, ONE BERMUDA)  
OUR SPECIFIC COMPLIANCE NEEDS TO BE ADVISED  
OUR COLLATERAL REQUIREMENTS TO BE ADVISED  
CM TO OBTAIN COMPLIANCE SIGNOFF

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DOCS OBTAINED  
BANKING ACT  
INSURANCE ACT  
INTERNATIONAL COMPANIES ACT  
E-B ACCOUNT OPENING DOCS AS USED FOR THEIR CUSTOMERS  
OTHER MISC HANDOUTS ON PERFORMANCE, BACKGROUND ETC

REGARDS

PS, RON, JENNY, ANY COMMENTS

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CG 006157

3232

2. JUN. 2000 19:31

CITIBANK TREASURY 61 2 92399690

NO. 8172 P. 25/31

CMAP 9-MAY-96 08:08:32 041255  
To: Chris Moore (APSYD:GF), Richard Noon (APSYD:GF)  
CC: Tim Fancourt (APSYD:GF), Dick Headley (APSYD:GF),  
Pauline Soon (APSYD:GF)  
From: William Ferguson (APSYD:GF)  
Date: THU 09-MAY-1996 06:08 PM AST  
Subject: European Bank Vanuatu  
-----

I have been thinking a lot about this proposed relationship and while I appreciate your diligence in developing indepth information and the soundness of the structure you are proposing, I continue to have reservations about entertaining this business.

I am particularly concerned about the lack of institutional stability of the bank, the difficulty in monitoring events from Sydney and the overall image of Vanuatu.

In view of the time that is being put into this prospective business I think you should know that I have serious questions about the appropriateness of entering into such a relationship. I will of course review your full proposal but you should know that it will not be an easy sell.

Regards,  
Bill  
-----

Delivered: THU 09-MAY-1996 06:08 PM AST

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CG 006149



3233

9 JUN. 2000 19:31 CITIBANA TREASURY 01 00000000

CMAP 9-MAY-96 22:59:53 036959  
To: William Ferguson (APSYD:GF)  
CC: Richard Noon (APSYD:GF), Tim Fancourt (APSYD:GF),  
CC: Dick Headley (APSYD:GF), Pauline Soon (APSYD:GF),  
CC: Ron Churcher (APSYD:GF)  
From: Chris Moore (APSYD:GF) STRICTLY CONFIDENTIAL - NOT FOR  
Date: THU 09-MAY-96 22:59 GMT CIRCULATION  
Subject: Re: European Bank Vanuatu SUBCOMMITTEE MEMBERS AND STAFF  
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-----  
THE PROPOSAL AND BIR IS 90% COMPLETE. I WOULD LIKE YOU TO REVIEW NOW, IN  
DRAFT, AND HOPEFULLY ANY QUESTIONS CAN BE RESOLVED ALONG WITH THOSE TIM HAS  
RAISED.  
IF NEEDBE, WE CAN GET THE CHAIRMAN AND OR CEO TO COME TO SYDNEY NEXT WEEK.  
WE ARE CLOSE TO ASKING FOR A FINAL COMPLIANCE SIGNOFF, AND IF THAT IS NOT  
TO BE, WE NEED TO MAKE THAT DECISION VERY SOON.  
I WOULD ADD THAT VANUATUS IMAGE IS A PROBLEM, BUT EVERYTHING ELSE STACKS  
UP, AND AS WE HAVE STEP BY STEP ADVANCED THIS PROSPECT WITH GREATEST CAUTION  
AND INITIAL SCEPTICISM, WE HAVE BEEN VERY IMPRESSED BY INTEGRITY AND PROCESS  
WE HAVE SEEN IN EUROPEAN BANK AND ITS PEOPLE.  
REGARDS  
- - - - -

CG 006150

3234

2 JUN 2000 19:26

CITIBANK TREASURY 61 2 92399690

NO. 8172 P. 14/31

CMAP 14-MAY-96 23:04:14 037098  
To: Dick Headley (APSYD:GF), Ron Churcher (APSYD:GF)  
From: Chris Moore (APSYD:GF)  
Date: TUE 14-MAY-96 23:04 GMT  
Subject: EUROPEAN BANK

-----  
I HAVE REC SOME DETAIL ON E-B CUSTOMERS WHOS TRANSACTIONS WOULD BE CLEARED  
VIA ACCOUNTS WITH US.  
I MUST SAY IM A BIT UNEASY ABOUT OUR ABILITY TO GET COMFORTABLE.  
THESE INCLUDE A BERMUDA BASED MAIL ORDER CO,AND A BRISBANE BASED LOTTERY  
ORGANISATION.  
THE ISSUES I SEE ARE  
WHAT DO WE REALLY NEED TO BE COMFORTABLE WITH THEIR CUSTOMERS  
DO WE IMPOSE OUR OWN KYC STANDARDS,NOT SO MUCH IN TERMS OF ACTUAL KNOWLEDGE,I  
SURE E-B HAVE DONE THEIR HOMEWORK,BUT IN TERMS OF CALL REPORTS,BIR TYPE  
FORMS ETC.  
THE MORE INFO WE WANT,THE MORE WE ARE EXPOSED TO HAVING TO TREAT THE CUSTOMER  
AS IF THEY WERE OUR OWN. TRADITIONALLY WE OPERATE ON THE BASIS THAT THE  
CUSTOMERS BELONG TO OUR CLIENT,AND WE HAVE CONFIDENCE IN OUR CLIENT. HERE  
WE ARE HAVING TO GO MUCH FURTHER,AND I DOUBT WE CAN EVER GET 100% ASSURED  
UNLESS WE CALL ON EACH E-B CLIENT AS IF THEY WERE OUR OWN.  
ITS CLEAR TO ME THAT E-B DONT HAVE A DISCIPLINED INTERNAL CALL FILE PROCESS.  
THE CUSTOMER ACCEPTANCE TESTING IS DONE BY TOM AND ROBERT AND ITS APPARENTLY  
FILED IN THEIR HEADS ! IM SURE THEY KNOW WHAT THEY ARE DOING,BUT IS THAT  
GOOD ENOUGH FOR US.  
I THINK WE NEED TO REASSESS OUR POSITION,AND IN ORDER TO GO FORWARD,MAKE  
A DECISION THAT WE SHOULDN'T GO DEEPLY INTO E-B CUSTOMERS.  
MAYBE WE HAVE E-B COMPLETE A SIMPLE FORM,LIKE A BIR,WHERE THEY ATTEST TO  
CUSTOMER STANDING.

SECONDLY,I DONT THINK WE CAN REASONABLY TELL E-B WHAT BUSINESSES THEY CAN  
AND CANNOT DO,PROVIDE WE ARE SATISFIED WITH LEGALITY OF THEIR CUSTOMERS.  
THIS REALLY RELATES TO THEIR LOTTERY CLIENTS,WHICH IN ANY EVENT IS WHERE  
ALOT OF WORLDLINK VOLUME IS LIKELY TO BE,AS WELL AS ALOT OF COLLECTIONS.

IN SUMMARY,EITHER WE TREAT E-B LIKE AN ANZ OR WE STAY AWAY....

FOR DISCUSSION,IM OUT MOST OF TODAY BUT WOULD LIKE TO MEET LATE AFTERNOON

CHEERS

-----  
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CG 006138

3235

2 JUN 2000 19:24

CITIBANK TREASURY 61 2 92399690

NO. 8172 P. 9/31

CMAP 17-MAY-96 07:39:41 037198.  
To: Dick Headley (APSYD:GF), Tim Fancourt (APSYD:GF)  
CC: Ron Churcher (APSYD:GF)  
From: Chris Moore (APSYD:GF)  
Date: FRI 17-MAY-1996 05:39 PM AST  
Subject: EUROPEAN BANK

-----  
THIS CONFIRMS WE HAVE COMPLETED A REFERENCE CHECK WITH WESTPAC.  
DEAN ROWAN SPOKE DIRECTLY TO THE VANUATU HEAD FOR WBC, WHO CONFIRMED THOMAS  
BAYER IS KNOWN TO SENIOR MANAGEMENT OF WESTPAC, AND HAD ATTENDED THE RETIREMEN  
FUNCTION FOR DIRECTOR BRUCE REID LAST YEAR. RELATIONSHIP IS LONG STANDING, GOI  
BACK TO BANK OF NSW SHAREHOLDING IN PITCO IN EARLY 1970S.  
BEYOND THIS, SPECIFIC INFO ABOUT ACCOUNTS OPERATED COULD NOT BE RELEASED  
WITHOUT EUROPEAN BANK AUTHORITY. I INDICATED WE WERE UNLIKELY TO CONSIDER  
THIS NECESSARY, AND THE INFO PROVIDED AS ABOVE FITTED WELL WITH E-3  
REPRESENTATIONS  
TO US.  
RF CARDS  
-----

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CG 006135

3236

2 JUN 2000 19:24

CITIBANK TREASURY 61 2 92399690

NO. 8172 P. 8/31

CMAP 21-MAY-96 00:13:32 037232  
To: Tim Fancourt (APSYD:GF), Dick Headley (APSYD:GF)  
From: Chris Moore (APSYD:GF)  
Date: TUE 21-MAY-1996 10:13 AM AST  
Subject: EUROPEAN BANK  
-----

THIS CONFIRMS WE HAVE COMPLETED A REFERENCE CHECK WITH ANZ. I SPOKE TO SUZANNE WILLETT, WHO IS A SENIOR MANAGER IN ANZ CORRESPONDANT BANKING DIV IN MELBOURN. SHE CAME BACK TO ME AFTER INTERNAL CHECKS INCLUDING WITH ANZ VANUATU, WHERE THEY HAVE A MUCH MORE SENIOR THAN USUAL BUSINESS HEAD, PRESUMABLY TO COUNTER THE BUSINESS RISK. THE ADVISE BACK TO US IS THAT ANZ HAVE A SUBSTANTIAL RELATIONSHIP WITH EUROPEAN BANK AND THE REST OF THE PITCO GROUP, AND SENIORS ARE WELL KNOWN TO ANZ.

REGARDS  
-----

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3237

2 JUN 2000 19:24

CITIBANK TREASURY 61 2 92J9989U

NO 8112 P. 1/31

CMAP 21-MAY-96 05:03:57 037254  
To: Rodger Chippindale (APSYD:GCB)  
CC: Tim Fancourt (APSYD:GF), Thomas O'Callaghan (APSYD:GF),  
Raymond Adamo (APSYD:GF), Dick Headley (APSYD:GF)  
From: Chris Moore (APSYD:GF)  
Date: TUE 21-MAY-96 05:03 GMT  
Subject: EUROPEAN BANK

-----  
YOU HAVE RAISED A QUESTION AS TO WHETHER E-B CLIENTS WHOSE FUNDS ARE BEING  
BANKED ACROSS E-B ACCOUNTS IN AUSTRALIA AND NEW ZEALAND, IN THE MAIL ORDER  
BUSINESS, AND DOMICILED IN OTHER THAN A TAX TREATY COUNTRY, ARE THROUGH THE  
MAIL ORDER BUSINESS DERIVING TAXABLE INCOME IN AUSTRALIA. (THE ELIGIBILITY  
FOR TAX IN THESE CIRCUMSTANCES BEING DIFFERENT TO THOSE FOR USA WHICH NY  
COUNSEL HAS OPINED UPON.)  
I HAVE SPOKEN TO E-B WHO COMMENT THAT MAIL ORDER RELATED CLEARINGS FOR AUSTRA  
AND NEW ZEALAND ARE QUITE SMALL, THE VAST MAJORITY OF CLEARINGS BEING IN  
USD. ADDITIONALLY THEY HAVE TAX ADVISE THAT WHAT BUSINESS THERE IS DOES  
SATISFY AUSTRALIAN TAX LAW.  
FEEL THAT THE RISK FOR US IN TERMS OF ASSOCIATION IS DISTANT AND SMALL AN  
SHOULDN'T STOP THE RELATIONSHIP.  
REGARDS  
-----

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3238

2 JUN 2000 19:23

CITIBANK TREASURY 61 2 62399690

NO. 8172 P. 6/31

CMAP 21-MAY-96 23:34:56 035806  
To: Chris Moore (APSYD:GF)  
CC: Ron Churcher (APSYD:GF), Jennifer Booth (APSYD:GF)  
From: Dick Headley (APSYD:GF)  
Date: WED-22-MAY-1996 09:34 AM AST  
Subject: EUROPEAN BANK

-----  
Rang Chris Patterson, CFO of NSW Lotteries to obtain a check  
on Australian Lottery Federation International Pty Ltd, a  
customer of European Bank.

Chris knew of them, have been operating out of Brisbane for  
many years. Reputation fine and disclose their fees up front  
(as required by law).

Regards

Dick

-----  
Delivered: WED-22-MAY-1996 09:34 AM AST

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CREDIT MEMORANDUM  
EUROPEAN BANK LIMITED (E-B)

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PURPOSE

Recommend an initial credit line of zero for USD and AUD clearing, and A usd40M Worldlink line. We will collateralise the Worldlink exposure, and have agreed an initial amount of usd100m for this purpose.(also available to cover any other obligations).

BACKGROUND

E-B is a small financial institution domiciled in the Republic of Vanuatu. Vanuatu is recognised as a tax haven, and for that reason our dealings with E-B are subject to scrutiny well beyond normal to avoid any risk that we unknowingly become associated with any disreputable activity.

E-B is essentially a Private Bank, providing banking services in the form of deposits and some loans, usually collateralised, to HNW individuals. References from the private banking side has lead to opportunities to provide some high volume transaction services, and E-B has selectively developed this business over the past two years.

E-B is owned by Thomas Bayer, a long time resident of Vanuatu, having moved there to run the group in 1972 and more recently become a citizen. The group includes various Trust vehicles and service companies. It includes administration of the Govt ship registry.

BUSINESS CASE

The services proposed are twofold. Firstly to clear cheques on behalf of E-B in USA and Australia. E-B will also want to take Worldlink draft issuance to facilitate remittances in foreign currencies.

Clearing

E-B act as clearer for a number of international mail order and other organizations.(including some international lottery companies). These organizations find the service E-B offers as more convenient than establishing banking relationships themselves in each country they have currency needs in. E-B has marketed its services to these organizations, and because it has been able to get significant volume, it is able to obtain much better pricing than its clients can. Thus it is able to take a margin. For Citibank, the volumes are attractive. Additionally, the nature of the business is that it experiences relatively high return levels of cheques cleared. The range is 3 to 7%. We are able to charge much higher rates for returns than ordinary clearances. The attractiveness of the business also arises from the very low value of each item cleared, which averages

CG 004203

between \$20 and \$100. Thus, we are able to process a high volume of items with low aggregate value and exposure. Daily aggregate in the sample period we checked did not exceed \$375m. With the maximum return rate advised of 7% (normally under 4%), returned value should not exceed about \$25m daily. Our NY clearing system works on a 4 day hold before making funds available. However, this may not be long enough to ensure all cleared items have been definitely honoured. Depending on the Federal district of the bank drawn on, it may take up to 8 days, but the system will have availed the funds after 4 days. Our comfort arises because after the initial 4 days, more than 50% will be cleared, and a further 3 days of clearances will have been put into the system. There will always be more than enough value already cleared and not yet available, to cover the uncleared but available. This is a worst case. E-B has agreed to observe a 6 working day non availability, and we will monitor to this. Note that our "worst" case assumes all funds not cleared by day 4 will be returned. In fact given only a max of 7% will be returned, there will always be ample incoming to cover return levels. Obviously if inflows stopped we could find ourselves with some exposure. However, the collateral held to cover Worldlink will also be available for this purpose and provides contingency cover. In any event, we have the ability to freeze the account to stop outflows until fully cleared if needbe. On this basis, we will not establish a cheque purchase line.

Worldlink exposure as per approved formula for credit risk will be collateralised at a minimum of 100%. (Initial credit risk expected to be usd40m). As with clearing, we will get copies of account opening forms for E-B customers for whom E-B wants to dishout, to allow us to vet for acceptability.

We have arranged for the USD100m collateral to be deposited with Citibank Auckland, as the WHT arrangements in NZ are convenient to E-B. The deposit is being made value May 30. (Rate paid will be LIBOR less 25bp).

#### Financial Assessment/Obligor rating

Our dealings with E-B are predicated primarily on our assessment of the integrity of the group, rather than financial strength. While the accounts do not show any weaknesses, the size is very small by normal FI standards. They are more akin to a small corporate in this regard. For example, net worth at Dec 31 1995 is reported at usd1.7mn. The net worth of the

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principal, Thomas Bayer has been advised to us as in the range usd15 to 20mm. Because of the small size, an ORR of 6 is judgementally applied. For this reason, services we are providing are on a zero credit risk basis, through collateralisation and delay in availment of funds presented for clearance. Due to the low risk on the services, FRR will be set at 5, one level higher. Actual risk is probably lower than the 5 implies, however one level above ORR is deemed appropriate.

E-B has total assets of usd3.9mm, with leverage about 2:1, reflecting that this is not a normal bank which gears its balance sheet 10 to 12 times. Assets were mostly cash, plus a \$1mm loan to a related party and some investments. These were funded by customer deposits and capital. As above, we derive our comfort from the nature of services being offered, and the very professional nature of management rather than absolute net worth.

We have been very impressed with the way E-B staff have presented themselves and their business to us. They have been open as to their needs, and relationship with previous bankers. In this regard we were advised Marine Midland Bank had exited all relationships where they felt unable to fully understand and monitor transaction flows. This had been exacerbated by a money launder incident (unrelated to E-B), involving Marine Midlands parent, HKB, which had caused some embarrassment to Marine Midland. A senior HKB manager in Sydney (well known to us) has confirmed these details, and provided favourable reference as to E-B personnel and conduct of their accounts with HKB group.

Note, we have also called Westpac and ANZ, being existing relationship banks of European Bank of longstanding, and have received positive comments.

#### Compliance

E-B will provide all details on their files as to clients whose cheques they will clear across accounts with us. It is evident they have all of the same concerns about illegal activities as we have, and have taken appropriate steps to avoid such risk. We believe the vast majority of items cleared are of a nature that makes money laundering highly unlikely, if not impossible. In particular, there is a very high volume of very small items, about 5000 per day in amounts averaging less than \$40.00, drawn of banks dispersed widely across the USA. On top of this, we have access to client details that will allow us to confirm commerciality of the underlying businesses. In this regard, E-b will provide customer details to fi-crnd for review. (see attached format). We have been advised E-B runs Corporate and criminal checks on all its client.

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All documentation requests have been dealt with promptly, and all information requested provided.

The Money Laundering Investigative Unit based in Tampa will routinely monitor the Usd account for suspicious activity. Additionally, at least for the first two months of operation details of the ICLS deposits will be sent by E-B to fi-crmd in Sydney so that we can confirm transactions are consistent with our expectations, ie no large items, average cheque size under \$100. With regard to the AUD account, fi-crmd will print out the account activity daily and review. No later than 60 days after account opening, a procedure to allow operations to monitor will be established. In the meantime all transactions across the accounts will be reviewed. We wish to tailor the procedure to activity levels we find. E-B have requested a NZD account also, and the AUD process will be duplicated there. We have checked out the International lottery organisation whose business would be cleared through the bank accounts, being Australian Lottery Federation International Ltd, with contacts at NSW Lotteries. The report is that this is a long established organisation with a good reputation. We have checks running at present on other customers advised to us.

We note that the latest Country risk listings for money laundering include Vanuatu as "low medium" priority, the same as Australia. In terms of E-B customers currently advised to us whose effects may be cleared across E-B accounts, one is Barbados (medium priority), two (related entities) are Phillipines, (medium priority) and one Australia.

#### Legal Risk, Vanuatu

This is assessed as relatively low, certainly much lower than the "image" of Vanuatu as a secrecy/tax haven implies. The legal system is English based, largely unchanged from the days when Vanuatu was jointly governed by France and England. The English, rather than French legal system was retained. The Chief judge is appointed from outside jurisdictions, such as Australia and the UK, for specific tenures, and flies in to deal with cases and other issues on a needs basis, thus ensuring the position is up to date, competent and independent. (one such previous appointee was Rowan Downing, known to Tom O'Callaghan). While trust relationships of E-Bs related entities are strictly private, banking relationships are accepted by E-B on the basis details may be provided to E-B bankers and therefore authorities in the bankers domiciles. (ie, there is no veil of secrecy on the banking side of the business).

E-B is supervised by the Vanuatu Financial Services Commission, who have authority of all FIs except domestic banks who come under the

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Reserve Bank. We note advise from E-B that the Banking Act is relatively toothless, and the VFSC uses the Corporations Act to ensure institutions meet its standards. We have met Julian Ala, the Commissioner, and were impressed by his acumen, and concern for the reputation of Vanuatu. He is well aware that Vanuatu represents an attractive domicile for some less than scrupulous businessmen, and genuinely wants to root them out. We note Thomas Bayer is Deputy Commissioner of the VFSC.

#### Annual review

We will conduct a full review of the account at Dec 31 1996, including not only compliance issues but also process and profitability. By that time we will have called on them at least twice, and their seniors will have called on Citibank in Sydney. E-B are aware we will need to see our objectives met to continue with the relationship.

#### Recommendation

A relationship with E-B be established, subject to their compliance with our requirements, corr 6, fir 5 for Clearing and Worldlink, with credit risk on clearing set at zero and for worldlink at normal amount but cash collateralised.

  
Chris Moore

2/7/96

  
J. Fongdur  
Senior General Manager

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Citibank Limited  
A.C.N. 004 325 080

Citibank Centre  
1 Margaret Street  
Sydney NSW 2000  
Australia

(02) 239 9414  
Fax  
(02) 239 3741  
Telex  
A1826181

Global Transaction  
Banking Services

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22 May 1996

**CITIBANK** 

Mr Michael Harkin  
Executive Vice President  
European Bank Limited  
Box 65  
PORT VILA VANUATU

Dear Michael

We are pleased to advise that internal approvals have been completed with regard to account opening, subject to completion of the following.

We have further considered the appropriate level of inquiry we should effect in respect of your customers whose cheques you may clear across your accounts with Citibank, and on whose behalf you may disburse using our draft product. In that regard, we would like you to complete the attached form in respect of each of your relevant customers.

In addition, we request a copy of the USD cash letter deposit slip and tapes be faxed directly to us each day. This is not expected to be required once we get a better understanding of the items you are sending for clearing.

We want to emphasise that we are entirely comfortable with your organisation and have respect for your customer acceptance process. Our need is to be able to demonstrate through our files this comfort, on an ongoing basis.

There is a particular issue with our need to comply with U.S. sanctions requirements that are advised to us from time to time. The information on the form referred to above will assist us in this regard. Additionally, we will endeavour to keep you apprised of the lists. Depending on circumstances, we may not be able to allow transactions with sanctioned countries (or individuals) to pass across accounts with us.

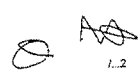
We reserve the right to decline to accept business relating to customers whom, or whose activities, we consider to be unacceptable.

We need you to complete a U.S. non resident tax form W8. In addition, we require indemnity from European Bank as to any taxes and imposts levied by U.S. Authorities arising out of operation of the accounts. (This is contained in AUD and NZD account forms, but not specifically in the U.S. forms). An addendum to the USD account opening form that you have already completed is attached, and covers indemnity requirements.

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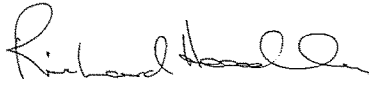
Page 2

With regard to the USD100,000 collateral we have previously discussed, the collateral should be deposited with Citibank N.A. Auckland branch, and we request the deposit be made as soon as possible to our Auckland's account with Citibank New York, account number 3698-5753. The applicable interest rate paid to you will be LIBOR less 25bp less the New Zealand 2% levy in lieu of WHT (quarterly in arrears). The deposit would be rolled on a 90 day basis for interest purposes. We anticipate providing a formal document in the very near future, however, so as to avoid delays in account opening, your acceptance of this letter will be evidence of your intention that the deposit will be held by Citibank as collateral for any obligation of European Bank to any company in the Citicorp Group, and may not be repaid without our concurrence unless all such obligations have been extinguished.

Finally, we are very pleased to commence a banking relationship with European Group. In line with our normal review process, the relationship and all its facets will be reviewed annually. It is our intention to conduct these reviews as of December end commencing December 31 next, to ensure there is a mutually satisfactory basis to go forward.


Yours sincerely

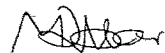
  
Ron Churcher  
Vice President  
Global Cash Management

  
Richard Headley  
Vice President  
Global Cash Management Head

23rd May, 1996

Accepted

  
European Bank Limited  
CHARLES S. KLEIMAN  
SNR VICE PRESIDENT

  
MICHAEL J. HARKIN  
EXECUTIVE VICE PRESIDENT

NK075RC.DOC

AKG 476

CG 003863



# European Trust Company Limited

International Building,  
P O Box 213,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone : (678) 24680  
Telex : (771) 1023 EURTRUST NH  
Facsimile : (678) 22884  
Compuserve : 76304,3717

27 May 1996

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Citibank Limited  
1 Margaret Street  
SYDNEY NSW 2000  
AUSTRALIA

Dear Sirs

## EUROPEAN BANK LTD. CUSTOMERS INFORMATION

It is our intention to utilize our accounts and facilities with Citibank to provide clearing services, and/or issue drafts on behalf of, the following customer.

Legal Name: Australian Lottery Federation International Limited  
Registered Address: 1st Floor, International Building, Kumut Highway, Port Vila, Vanuatu.  
Main Operating Name: Australian Lottery Federation International Limited  
Main Operating Address: 370 Queen Street, Brisbane, QLD.  
Trade names that may appear on instruments cleared across our account, or on drafts issued: Australian Lottery Federation International Limited, ALFI.  
Customer line of business: Direct Marketing

We confirm that we have conducted appropriate inquiries as to legal standing, reputation and competency of the above group, and we believe they conduct business in a legal, ethical and competent manner. We undertake to advise you immediately we become aware of any changes that might affect the validity of this statement.

Michael J Harkin  
Authorized Officer

Charles S Kleiman  
Authorized Officer

E: NHE:EUB-CUST.NH

CG 003869

3247



## European Trust Company Limited

International Building,  
P O Box 213,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone : (678) 24680  
Telex : (771) 1023 EURTRUST NH  
Facsimile : (678) 22884  
Compuserve : 76304,3717

27 May 1996

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Citibank Limited  
1 Margaret Street  
SYDNEY NSW 2000  
AUSTRALIA

Dear Sirs

### EUROPEAN BANK LTD. CUSTOMERS INFORMATION

It is our intention to utilize our accounts and facilities with Citibank to provide clearing services, and/or issue drafts on behalf of, the following customer.

Legal Name: IDM Direct Marketing Corp  
Registered Address: # 4, Wildey Industrial Park, St Michael, Barbados,  
West Indies.  
Main Operating Name: IDM Direct Marketing Corp  
Main Operating Address: # 4, Wildey Industrial Park, St Michael, Barbados,  
West Indies.  
Trade names that may appear on instruments cleared across our account, or on drafts issued:  
IDM, Canusa.  
Customer line of business: Direct Marketing

We confirm that we have conducted appropriate inquiries as to legal standing, reputation and competency of the above group, and we believe they conduct business in a legal, ethical and competent manner. We undertake to advise you immediately we become aware of any changes that might affect the validity of this statement.

Michael J Harkin  
Authorized Officer

E: MJH; EUB-CUST.MH

Charles S Kleiman  
Authorized Officer  
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3248



## European Trust Company Limited

International Building,  
P O Box 213,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone : (678) 24680  
Telex : (771) 1023 EURTRUST NH  
Facsimile : (678) 22884  
Compuserve : 76304,3717

27 May 1996

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Citibank Limited  
1 Margaret Street  
SYDNEY NSW 2000  
AUSTRALIA

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Dear Sirs

### EUROPEAN BANK LTD. CUSTOMERS INFORMATION

It is our intention to utilize our accounts and facilities with Citibank to provide clearing services, and/or issue drafts on behalf of, the following customer.

Legal Name: Overseas Subscribers Agents Limited

Registered Address: 1st Floor, International Building, Kumul Highway, Port Vila, Vanuatu.

Main Operating Name: Overseas Subscribers Agents

Main Operating Address: 39A Toledo St., Alabang Hills Village, Muntinlupa, Metro Manila, Philippines

Trade names that may appear on instruments cleared across our account, or on drafts issued: Overseas Subscribers Agents, OSA

Customer line of business: Direct Marketing

We confirm that we have conducted appropriate inquiries as to legal standing, reputation and competency of the above group, and we believe they conduct business in a legal, ethical and competent manner. We undertake to advise you immediately we become aware of any changes that might affect the validity of this statement.

Michael J Harkin  
Authorized Officer

Charles S Kleiman  
Authorized Officer

1: MJH:EUB-CUST.MH

CG 003871



3249



## European Trust Company Limited

International Building,  
P O Box 213,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone : (678) 24680  
Telex : (771) 1023 EURTRUST NH  
Facsimile : (678) 22884  
Compuserve : 76304,3717

27 May 1996

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1 Margaret Street  
SYDNEY NSW 2000  
AUSTRALIA

Dear Sirs

### EUROPEAN BANK LTD. CUSTOMERS INFORMATION

It is our intention to utilize our accounts and facilities with Citibank to provide clearing services, and/or issue drafts on behalf of, the following customer.

Legal Name: International Marketing Agents Limited  
Registered Address: 1st Floor, International Building, Kumul Highway, Port Vila, Vanuatu.  
Main Operating Name: Pacific Players Agents  
Main Operating Address: 39A Toledo St., Alabang Hills Village, Muntinlupa, Metro Manila, Philippines  
Trade names that may appear on instruments cleared across our account, or on drafts issued: Pacific Players Agents, PPA  
Customer line of business: Direct Marketing

We confirm that we have conducted appropriate inquiries as to legal standing, reputation and competency of the above group, and we believe they conduct business in a legal, ethical and competent manner. We undertake to advise you immediately we become aware of any changes that might affect the validity of this statement.

Michael J Harkin  
Authorized Officer

Charles S Kleiman  
Authorized Officer

1: MJH: EUB-CUST.MH

CG 003872

3250



## European Bank Limited

International Building  
P O Box 65,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone : (678) 27700  
Telex : (771) 1023 EURTRUST NH  
Facsimile : (678) 22884  
Compuserve : 76304,37 17

27 May 1996

Confidential

Citibank Limited  
1 Margaret Street  
SYDNEY NSW 2000  
AUSTRALIA

Dear Sirs

### EUROPEAN BANK LTD. CUSTOMERS INFORMATION

It is our intention to utilize our accounts and facilities with Citibank to provide clearing services, and/or issue drafts on behalf of, the following customer.

Legal Name: Intel Systems Corp. Limited

Registered Address: 1st Floor, International Building, Kumul Highway, Port Vila,  
Vanuatu.

Main Operating Name: Intel Systems Corp. Limited

Main Operating Address: 1st Floor, International Building, Kumul Highway, Port Vila,  
Vanuatu and Suite 2, 19 Enoggera Terrace, Red Hill, Qld.

Trade names that may appear on instruments cleared across our account, or on drafts issued:  
Intel Systems Corp. Limited

Customer line of business: Direct Marketing

We confirm that we have conducted appropriate inquiries as to legal standing, reputation and competency of the above group, and we believe they conduct business in a legal, ethical and competent manner. We undertake to advise you immediately we become aware of any changes that might affect the validity of this statement.

Michael J Harkin  
Authorized Officer

Charles S Kleiman  
Authorized Officer

E: MJH: EUB-CUST.MH

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SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

CG 003873

3251

2 JUN 2000 19:23

CITIBANK TREASURY 61 2 92399690

NO. 8172 P. 3/31

CMAP 23-MAY-96 00:50:43 037318

To: Loh Koon Wah (APSYD:GF), Ross Hedges (APAKL:GF)  
CC: Ron Churcher (APSYD:GF)  
From: Chris Moore (APSYD:GF)  
Date: THU 23-MAY-1996 10:50 AM AST  
Subject: EUROPEAN BANK

-----  
AUD AND NZD ACCOUNTS HAVE BEEN OPENED FOR THIS NAME AND DEPOSITS WILL COMMENC  
SHORTLY.

NOTE, NO CREDIT HAS BEEN ALLOCATED, AND FUNDS MAY NO BE PAID AWAY UNTIL DEPOSIT  
ARE CLEARED. SINCE MOST DEPOSITS ARE LIKELY TO BE RETAIL IN NATURE, WE ARE  
NOT COMFORTABLE WITH A 3 DAY HOLD, AND I'D LIKE YOU ADVISE AS TO WHETHER  
WE CAN SET A LONGER PERIOD, SAY 6 DAYS OR LONGER, BEFORE THOSE DEPOS ARE AVAILA  
FUNDS.

SECONDLY, FOR THE INITIAL 2 MONTHS OF OPERATION, I NEED TO SEE DETAILS OF  
EVERY DEPOSIT. AT THE END OF THIS TIME, WE WILL BE ABLE TO DETERMINE AND  
ESTABLISH A LESS ONEROUS PROCESS TO ACHIEVE OUR COMPLIANCE MONITORING GOALS.  
IDEALLY, I'D LIKE TO SEE A COPY OF EACH CHEQUE DEPOSITED, ALONG WITH A COPY  
OF THE DAILY MOVEMENTS. I AM ASSUMING ALL INCOMING CHEQUES DEPOSITED ARE  
MICROFILMED, AND A COPY OF THAT WOULD DO IT.

THIS IS GOING TO BE A BIT OF PAIN, BUT SHOULD BE REDUCED SIGNIFIGANTLY LATER

PLEASE ADVISE YOUR THOUGHTS ON THIS, I'M OPEN TO SUGGESTIONS IF YOU HAVE A  
SIMPLE WAY OF ACHIEVING THE GOAL.

CHEERS

-----  
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SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

CG 006129

3252

Fax sept bu 61 2 92394760

CITIBANK

02/86/00 19:23 Pg: 23/28

CMAF 29-MAY-96 00:44:40 037448

To: Edwin Bautista (APMNL:GF)  
CC: Ron Churcher (APSYD:GF), Dick Headley (APSYD:GF) STRICTLY CONFIDENTIAL - NOT FO  
From: Chris Moore (APSYD:GF) CIRCULATION  
Date: WED 29-MAY-96 00:44 GMT SUBCOMMITTEE MEMBERS AND STAF  
Subject: CUSTOMER REFERENCE CHECK ONLY

-----  
EDWIN, A CUSTOMER OF OURS DEALS WITH A PHILLIPINES BASED DIRECT MARKETING  
ORGANISATION. TO HELP US WITH "KNOW YOUR CUSTOMER" ISSUES, IT WOULD BE MOST  
HELPFUL IF YOU COULD ASSIST US WITH A CONFIDENTIAL CHECK ON THE NAMES.  
THE OPERATING NAMES ARE  
OVERSEAS SUBSCRIBERS AGENTS LTD (MAY FINISH WITH "OSA" NOT LTD)  
INTERNATIONAL MARKETING AGENTS LIMITED  
PACIFIC PLAYERS AGENTS PPA

ALL ARE LOCATED AT  
39a TOLEDO ST ALABANK HILLS VILLAGE, MUNTINLUPA, METRO MANILA

AS AFOREMENTIONED, WE NEED SOME DISCRETION WITH THIS, IF ANYTHING ADVERSE  
TURNS UP WE WILL ARRANGE FOR CUSTOMER AGREEMENT TO INVESTIGATE MORE FULLY.  
WE DONT EXPECT ANY PROBLEMS.  
THIS IS REASONABLY URGENT  
THANKS AND REGARDS

CG 006122

3253

Fax sent by : 61 2 92394768

CITIBANK

02/06/00 19:23 Pg: 22/28

CMAP 29-MAY-96 01:10:49 037450  
To: Thomas Scheich (USNYC:FIG-NA)  
CC: Ron Churcher (APSYD:GF)  
From: Chris Moore (APSYD:GF)  
Date: WED 29-MAY-96 01:10 GMT  
Subject: EUROPEAN BANK

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ONLY

-----  
TOM, NEED SOME HELP WITH REGARD TO BARBADOS. WE WANT TO RUN A REFERENCE CHECK  
ON A EUROPEAN BANK CUSTOMER DOMICILED THERE, BUT WE DONT HAVE ANY CONTACTS  
AT CITIBANK TO MAKE CONTACT WITH.  
COULD WE TROUBLE YOU TO FIND US A NAME PLEASE.  
IF YOU HAVE A GOOD CONTACT TO USE,  
THE NAME WE WANT TO CHECK FOR REPUTATION , ON A STRICTLY CONFIDENTIAL BASIS,  
IS  
IDM DIRECT MARKETING CORP, 4 WIDLEY INDUSTRIAL PARK, ST MICHAEL, BARBADOS.

THANKS AND BEST REGARDS  
-----

CG 006121

3254

CMAF 24-JUN-96 02:09:36 038058

To: Tim Fancourt (APSYD:GF)  
 CC: Ron Churcher (APSYD:GF), Dick Headley (APSYD:GF),  
 CC: William Ferguson (APSYD:GF)  
 From: Chris Moore (APSYD:GF)  
 Date: MON 24-JUN-96 02:09 GMT  
 Subject: EUROPEAN BANK CALL

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 CIRCULATION  
 SUBCOMMITTEE MEMBERS AND STAFF  
 ONLY

ROBERT BOHN, MD OF EUROPEAN BANK CALLED ON DICK, RON, TIM, CHRIS  
 ROBERT HAS BEEN AWAY FROM VANUATU 5 WEEKS ON CUSTOMER BUSINESS MAINLY IN  
 THE US AND UK.  
 CALL WAS MAINLY TO INTRODUCE ROBERT TO TIM, HAVING MEET THE OTHER ATTENDEES  
 PREVIOUSLY.  
 THE CALL WENT WELL, MAINLY INVOLVED A RECAP OF E-B BUSINESS, ENVIRONMENT  
 AND MANAGEMENT.  
 THE BUSINESS IS GOING ALONG WELL. ROBERT SEES STEADY GROWTH IN CORE PRODUCTS.  
 WE DISCUSSED DOMESTIC BANKING IN VANUATU. E-B CURRENTLY DOES VERY LITTLE,  
 BUT THEY HAVE SOME INTEREST THE GOVT OWNED NATIONAL BANK OF VANUATU, WHICH  
 ROBERT FEELS WILL COME ONTO THE MARKET AT SOME STAGE IN THE NEXT FEW YEARS.  
 AT THAT STAGE IF THE DEAL WAS RIGHT (IE EXISTING BOOK INDEMNIFIED BY GOVT)  
 AND THEY COULD OPERATE IT COMMERCIALY, THEN THEY MIGHT WANT TO ACQUIRE.  
 HE IS CONCERNED AT THIS STAGE AT LEAST TO AVOID COMPETING WITH ANZ AND WESTPA  
 WITH  
 WHOM THEY HAVE IMPORTANT RELATIONSHIPS.

THE ENVIRONMENT IN VANUATU IS SATISFACTORY, WITHOUT THE APPARENT PROBLEMS  
 BEING EXPERIENCED IN FIJI AND COOK IS. ALL POLITICIANS ARE NOT SQUEAKY CLEAN,  
 GENERALLY CORRUPTION IS NOT ENDEMIC IS IT IS IN SOME OTHER PACIFIC IS NATIONS  
 GOVT DEBT LEVELS ARE VERY LOW, BUT SOME NEW DEBT IS CURRENTLY BEING CONSIDERED  
 TO UPGRADE INFRASTRUCTURE, SUCH ARE AIRPORT AND ROADS. ROBERT FEELS THE COUNTRY  
 IS PROBABLY IN BETTER SHAPE THAN THE GOVT MAY WISH TO REVEAL, AS THEY WANT  
 TO RETAIN THEIR DEVELOPING NATION STATUS. HOWEVER, SOMETIMES THIS HAS PRODUCED  
 WASTEFUL AID INFLOWS, (FREE GOODS THAT MAY NOT BE USEABLE, SUCH AS SOME TYPES  
 OF MEDICAL EQUIPMENT OR PLANT.)  
 THE COUNTRY WORKS HARD AT ITS RELATIONSHIPS WITH REGULATORS AROUND THE WORLD,  
 AND ROBERT FEELS VANUATU'S "MONEY HAVEN" REPUTATION IS NOT JUSTIFIED.  
 E-B HAVE JUST EMPLOYED A NEW SENIOR MANAGER TO RUN THE BANKING SIDE OF THE  
 BUSINESS, EX BARCLAYS, FAMILAR WITH VANUATU. GENERALLY EXPATS STAY 5 TO  
 7 YEARS, AND SEVERAL ARE CITIZENS. ROBERT IS GIVING UP HIS US CITIZENSHIP  
 THIS YEAR. HE SAID THE FAMILY INTERESTS IN VANUATU HAVE GROWN TO THE EXTENT  
 IT MAKES SENSE TO TAKE CITIZENSHIP. THESE INTERESTS ARE IN E-B, AND IN THEIR  
 RURAL PROPERTY HOLDINGS (LARGEST BEEF HERD IN VANUATU).  
 E-B ARE VERY HAPPY WITH THE CITIBANK RELATIONSHIP, AND ARE VERY CONCIOUS  
 OF THE NEED TO MEET OUR NEEDS IN TERMS OF DISCLOSURE AND BUILDING AND  
 MAINTAINING  
 COMFORT.  
 OVERALL, SATISFACTORY CALL.

*European Bank*

NAME	
LOCATION	
LOCAL REPORTS	
FINANCIALS	
COMMITTEES	
REPUTATION	
SECTION	
	<input type="checkbox"/> AIR PLANS <input type="checkbox"/> GREEN DAYS <input type="checkbox"/> C. 1000 <input type="checkbox"/> RESEARCHING <input type="checkbox"/> OTHER <input type="checkbox"/> OTHER

3255

Fax sent by : 61 2 92394768

CITIBANK

82/86/88 19:15 FR 40/45

CMAF 17-SEP-96 06:18:21 040277

To: Steven Buonvino (EULON:IB)  
 CC: Samantha Bennett (EULON:INV), Michael Barnett (EULON:IB),  
 Charles Legrand (EULON:IND), Ron Churcher (APSYD:GF)  
 From: Chris Moore (APSYD:GF)  
 Date: TUE 17-SEP-96 06:18 GMT  
 Subject: EUROPEAN BANK,VANUATU

-----  
 THANKYOU FOR YOUR MESSAGES CONCERNING MIDLAND REACTION TO THE CLOSING OF  
 EUROPEAN BANKS STG ACCOUNT.  
 INTELLIGENCE LIKE THIS IS ALWAYS APPRECIATED,BUT IN THIS CASE FORTUNATELY  
 WE ARE IN GOOD SHAPE.  
 WE SUSPECT THERE MIGHT BE SOME SOUR GRAPES ON PART OF MIDLAND.  
 SOME HISTORY... EUROPEAN BANKS FOREBEAR,FITCO, WAS A CONSORTIUM TRUST COMPANY  
 FORMED IN 70S WITH HK BANK AS A SIGNIFIGANT SHAREHOLDER. HKB,MIDLAND AND  
 MARINE MIDLAND WERE PRIMARY INTERNATIONAL BANKERS.  
 LAST YEAR MARINE MIDLAND ASKED E-B TO CLOSE THE USD ACCT, AND HKB OUT OF  
 HK ISSUED A DIRECTIVE TO ALL POINTS TO FOLLOW SUIT. REASON WAS UNCONNECTED  
 TO E-B THEMSELVES,RATHER MARINE MIDLAND GOT CAUGHT UP IN A MONEY LAUNDER  
 SITUATION AND DECIDED TO QUIT ALL RELATIONSHIPS THAT THEY COULDN'T EFFECTIVELY  
 MONITOR. I HAVE AN EXCELLENT CONTACT HERE IN HKB,AND HE WAS VERY UPSET TO  
 LOSE THE AUD. WE DID SUBSTANTIAL DUE DILIGENCE,AND HAVE VISITED ON SITE, AND  
 ARE VERY HAPPY WITH THE INTEGRITY OF OUR CUSTOMER. TO CAP IT OFF, MARINE  
 MIDLAND HAVE NOW WRITTEN TO E-B ASKING THEM TO REOPEN THE USD, "FOLLOWING  
 EXPANDED CAPABILITY" AFTER BUYING IN THE MORGAN USD BUSINESS !  
 E-B WILL NOT BE MOVING BACK.THEY ARE DELIGHTED WITH CITIBANK.  
 NEVERTHELESS,WE HAVE MOVED CAUTIOUSLY. WE HAVE WANTED TO GROW THE BUSINESS  
 SLOWLY AS WE BUILD COMFORT WITH E-B'S OWN CUSTOMER ACCEPTANCE.  
 E-B IS SMALL,AND WE ARE CAREFUL WITH CREDIT ACCORDINGLY. WE EXPECT THE ACCOUNT  
 TO OPERATE ON SUBSTANTIALLY A CLEAR FUNDS BASIS. WE EXPECT THE ACCOUNT TO  
 BE SUBJECT TO NORMAL MONEY LAUNDERING CHECKING, AND IN THE USD WHERE MOST  
 ACTIVITY IS, WE HAVE HAD NO PROBLEMS WHATSOEVER TO DATE. WE WANT TO SEE EXAMPLES  
 OF ACCOUNT ACTIVITY,AND LOOK FORWARD TO THIS FROM SAMANTHA FROM TIME TO  
 TIME.  
 BECAUSE VANUATU IS A TAX HAVEN, IT HAS AN IMAGE PROBLEM. WE WANT TO BE PREPARED  
 TO HANDLE ANY AUDIT INSPECTION OF OUR FILES,HENCE OUR EXCESSIVE CARE !  
 CHARLES, VANUATU DOES HAVE A CENTRAL BANK. IT IS A NORMALLY CONSTITUTED  
 REPUBLIC, WITH THE DISADVANTAGE (OR ADVANTAGE) OF STARTING ITS COLONIAL  
 LIFE AS A CONDOMINIUM GOVT,HALF BRITISH,HALF FRENCH ! THE JAIL MISCREANTS  
 FINISHED UP IN DEPENDED WHICH POLICE FORCE NABBED THEM! ALL THAT FINISHED  
 IN THE 70S. CGAM HAS SOME OF THE RESERVE BANKS MONEY UNDER MANAGEMENT, AND  
 RON AND I MET SOME OF THEIR PEOPLE WHEN WE WERE IN VANUATU BACK IN MAY.  
 THERE HAS BEEN SOME ADVERSE PUBLICITY RECENTLY, AS THE GOVT NEARLY GOT SCAMMED  
 IN A FRAULULENT BOND DEAL,NOW UNDER CONTROL.

HOPE ALL THIS HELPS. MY CONTACT KNOWS AEWLWOOD WELL,RECKONS HES OK FOR A  
 POM,BUT PROBABLY DIDNT LIKE LOSING THE BUSINESS !  
 CHEERS

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FILE <i>European Bank</i>	
DATE	
<input type="checkbox"/> CAC/CH	<input type="checkbox"/> A/C PLANS
<input type="checkbox"/> CAC/REPOR	<input type="checkbox"/> 2000 H/CAS
<input type="checkbox"/> CAC/ALUS	<input checked="" type="checkbox"/> CREDIT
<input type="checkbox"/> CAC/ALUS	<input type="checkbox"/> MARKETING
<input type="checkbox"/> CAC/ALUS	<input type="checkbox"/> LEGAL
<input type="checkbox"/> CAC/ALUS	<input type="checkbox"/> NEWS
<input type="checkbox"/> CAC/ALUS	

CG 006099

3256

Moore, Chris

From: Moore, Chris  
Sent: Friday, November 06, 1998 4:47 PM  
To: Fancourt, Tim  
Cc: Ferguson, Bill  
Subject: European Bank

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Call dated Nov 3

Calling on Tom Bayer, Chairman, Robert Bohn, MD, Doug Peters, Michael Martin.

We spent some time discussing European banks new business, their views of Vanuatu and Money Laundering, and account service/pricing.

European Bank continue to be perplexed as to the attention of Australian regulators (read sto/vie nca) on themselves. They are aware in a general sense that accounts with us were investigated, and appreciate that I could not discuss. Other business relationships in Australia have been checked over by the NCA. As far as they are aware, all investigations have come up blank, as was the case with us. They believe the ATO is simply suspicious of anyone connected with Vanuatu who may be a conduit for tax avoidance by Australian taxpayers, and uses the NCA for fishing expeditions.

On money laundering, they believe vanuatu should not been seen as a haven for such activity. The local regulators have a strict policy of confiscating any monies that are considered to have any illegality about them. Vanuatu attends regional and many global conferences on the subject and fully endorses regional/global government initiatives. European Bank advises the govt on such initiatives. I also met the relevant regulators separately, who were just back from money launder meetings in australia and nz.

None of this is new to us, and I came away entirely comfortable that our relationship with European Bank exposes us to no more risk of illegal activities than any other bank relationship we have. (In fact, much less as the issue has alot of focus by them)

New business is growing well, and volumes should increase significantly in the new year. With current volumes in sterling, account revenues are now over \$100m pa (we have not been seeing the mts on this, now being pursued). It is entirely possible we will see over \$150m in 1999.

chris

FILE	
DATE	
<input type="checkbox"/> QIVORI	<input type="checkbox"/> A/C PLANS
<input checked="" type="checkbox"/> CALL REPORTS	<input type="checkbox"/> CODE II CA'S
<input type="checkbox"/> SUB ALLO'S	<input type="checkbox"/> CREDIT
<input type="checkbox"/> FMTS/SPREADS	<input type="checkbox"/> MARKETING
<input type="checkbox"/> ANNUAL REPORTS	<input type="checkbox"/> LEGAL
<input type="checkbox"/> SWP	<input type="checkbox"/> NEWS
<input type="checkbox"/> SECTOR	

CG 001073



3257

Fax sent by : 61 2 92394768

CITIBANK

02/05/96 19:15 Pg: 16/25

Citibank Limited  
A.C.N. 004 325 080

Citibank Centre  
1 Margaret Street  
Sydney NSW 2000

(02) 239 9100

GPO Box 40  
Sydney NSW 2001  
Australia

*Jared 27.11.96*

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ONLY

**CITIBANK**+

Mr. D Peters,  
European Bank Limited  
International Building,  
Port Vila,  
Vanuatu

November 26 1996

by fax 678-22964

Dear Douglas,

Just a note to confirm arrangements for the visit next week.

Jennifer Booth and Tim Fancourt will arrive from Sydney at 5.15pm on December 2nd, and depart 12.45pm December 4th. As discussed, you are booking hotel accommodation on our behalf, and I await confirmation thereof.

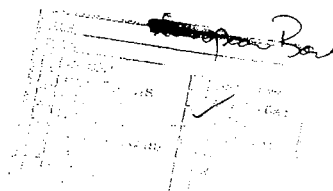
The purpose of the visit is generally familiarise Tim with your operations, and update Citibank on your business developments and plans for 1997 and beyond. Jennifer is available to discuss any issues in respect of our draft product and operation of the various accounts European Bank has with Citibank.

We would also like to take the opportunity to share with you a 90 minute video produced by the New York Clearing House on money laundering. You may find this helpful in terms of your own customer acquisition procedures.

It would be most helpful if you could arrange a meeting for Tim and Jennifer with the Reserve Bank. On our previous visit, Robert took us to see Mr. Jogia, who was able to give an overview of Reserve Bank policies, etc. A similar meeting with Julian Ala would be useful if it could be arranged. We would expect these meetings to be relatively brief, probably not more than about 30 minutes or so.

Yours sincerely

*Chris Moore*  
Chris Moore



02/00/00 17:15 Pg: 15/25

CMAP 9-DEC-96 01:05:42 01355800  
 To: Dick Headley (APSYD:GF), Tim Fancourt (APSYD:GF), *European*  
 To: Chris Moore (APSYD:GF), Victor Penna (APMEL:GF)  
 From: Jennifer Booth (APSYD:GF)  
 Date: MON 09-DEC-1996 01:05 PM AST  
 Subject: CALL REPORT

First *Attended Tim/Jen*

Met with Douglas Peters, recently appointed Senior Vice President Operations who outlined his extensive international banking career with Barclays. Various posts included Vanuatu, West Africa, Moraco and the UK, over a 20+ period. Gordon appears to be extremely competent with a good understanding of the limitations and disciplines required to work in Vanuatu tax environment.

Subsequently we were joined by Tom Eayer, Robert Bohn and Michael Markin to discuss:

Q. FX and future possibilities of dealing with Citibank  
 A. The Vanuatu banking act does not restrict FX transactions so providing the deals remain quite small we can proceed.

Q. New Business

A. The KYC and money laundering tapes were by all staff, and we reiterated our concern re KYC in relation to European Banks, new client prospects, there is complete agreement European Bank will notify Citibank of new clients particularly when utilising Worldlink +

Q. Profitability

A. Apparently 1996 was a poor year for the bank, whilst a small profit was made, 2 key clients were lost during the transition of banking from Hong Kong, Shanghai to Citibank. There were several incidents whereby EKS bounced cheques which created a serious lack of credibility for European Bank. A concerted marketing effort is underway to win back these two clients. Have agreed to send marketing materials to assist in their effort. *Noted.*

Q. Interest Rates

A. No mention of rates, so we did not raise this issue.

Q. Refunds on Cash Letters

A. European Bank advised the maximum refund ratio would be 2-3% on cash letter items, which is well within industry norms.

Also met with Andrew Weekes of KPMG who confirmed a good opinion of European Bank in fact they audit several companies of the PITCO group (parent)...

Met again with Julian Ala, Commissioner of Vanuatu Financial Services Commission.

No problems with European Bank, however he did affirm there is "some" money laundering activity in Vanuatu. This situation is under constant scrutiny. In 1997, it is expected new legislation being introduced will tighten the rules and regulations to a greater degree.

To Follow Up.....

Problems with swift format on Citibanking. USD credit cards issued by Visa Hong Kong.

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 ONLY

*noted*  
 C. S. MOORE  
 Vice President  
 PM 12/11/96

CG 006094

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Credit Memo, European Bank Limited  
30-12-96

#### Purpose

Review of subject as per requirements of initial CA dated May 1996.  
Reset annual review date to 31 March 1997.  
Establish a 7 day FX line of \$100m with SR of \$250m.  
Establish a Performance bond facility of A\$75m, tenor 1 year.

#### Background and rationale

This relationship was established in May 1996, primarily to provide a usd clearing and cash letter service, as well as aud clearing. We have since, (given good experience) added can\$, yen and sterling clearing. E-B have also asked for a small fx line and asked us to quote for a small aud performance bond in connection with a property being acquired in Brisbane.

The main purpose of a Dec end review was to assess the relationship from a compliance perspective. Review of E-B accounts was secondary, and given their annual review date is Dec 31, it is recommended full annual review be reset to March 31. However, 1996 accounts are not expected to vary significantly from 1995.

We provide mainly txb product to E-B, and our initial assessment of relationship revenues was for about \$150m pa. In the event the running rate is way down on expectations, mainly because one key E-B client was lost when the usd clearing was being transferred to Citibank. We expect that revenues will achieve target due to E-B new business, within 1997, but this will need to be reviewed closely early in 1998.

#### Compliance

Our primary concern when considering establishing this relationship was E-Bs domicile in Vanuatu, and what level of comfort we could achieve as to E-Bs customer base. Since May the writer as responsible senior has called on E-B and additionally T. Fancourt (DCO) called in December. All our checkings prior to account opening were positive, and since then there have been no negatives in account conduct. Principale (Tom Bayer and Robert Bohn) continue to impress us, and we feel comfortable with main day to day contacts, Michael Harkin and more latterly Douglas Peters (an experienced international banker). We have discussed with E-B the money laundering rules we are subject to, and are comfortable they are intent upon keeping their own business, and thereby our own, clean. We expect to call on them twice in 1997, to maintain our working knowledge of their business and client base, and general comfort level. There have been no queries from transactional monitoring. All cash letter and other traffic over the usd account are subject to automated monitor. We get copies of cash letters for other currencies.

#### Facilities

All facilities are covered by a \$100m collateral deposit held by Citibank Auckland.  
Risk on the worldlink draft facility is assessed at \$40m.  
There are no overdraft lines approved, as all accounts are expected to operate on credit balance.  
We are recommending a new A\$75m bond facility. Robert Bayer is purchasing a property in Brisbane "off the plan" and is required to lodge a bond in lieu of deposit until completion. He has made appropriate arrangements with E-B. The bond agreement is to be executed under seal as evidence of this. As security, E-B will maintain a credit balance of at least \$75m while the bond is outstanding, against which we have right of offset.  
We are recommending a small FX line of \$100m (tenor 7 days) with SR of \$250m. While this risk is partly covered by the collateral held in Auckland, and by credit balances in clearing accounts, it is still largely a clean line. We expect usage to be low, and is established mainly on a relationship basis. We have acquired sufficient comfort with E-Bs operations to allow this small line. We are awaiting the necessary ISDA before availing.

CG 006087

3260

Fax sent by : 61 2 92394768

CITIBANK

82/86/88 19:15 Pg: 9/25

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Vanuatu


Vanuatu has been through a difficult period in 1996 due to an attempted scam on it, when a financial guarantee was obtained from the government, fraudulently. Fortunately the guarantee was recovered with no loss, except to credibility. We have met with key regulators on E-B, (Financial Services Commission and Reserve Bank) and are comfortable with supervision.

Summary/ recommendation

Facilities as detailed and new annual review date be approved. Risk rating unchanged at 6.

  
Chris Moore

*Over the last 12 months our European  
has been exhaustive.  
We are very satisfied with  
the management and their  
integrity*

  
E. J. Farrant  
Senior General Manager

CG 006088

3261

To: Dick Headley (APSYD:GF) STRICTLY CONFIDENTIAL--NOT FOR  
CC: Tim Fancourt (APSYD:GF) CIRCULATION  
From: Chris Moore (APSYD:GF) SUBCOMMITTEE MEMBERS AND STAFF  
Date: MON-14-APR-1997 11:03 PM ADT ONLY  
Subject: EUROPEAN BANK

ROBERT BOHN, MD, CALLED ON CITIBANK IN SYDNEY TO UPDATE US ON THERE NEW BUSINESS INITIATIVES AND BUSINESS PLAN GENERALLY.

IN TERMS OF RISK, THERE SEEM TO BE NO CHANGES IN EUROPEAN BANKS ENVIRONMENT OF BUSINESS PROFILE THAT SHOULD CAUSE US CONCERN. THE SCAM THAT INVOLVED VANUATU GTEES HAS BEEN CLEARED AWAY. WITH THE ORIGINAL GTEES RETURNED TO VANUATU BY THE BANK OF ENGLAND. THE POLITICAL ENVIRONMENT IS STEADY. ROBERT BELIEVE VANUATU CANNOT REALLY PROGRESS UNTIL THE YOUNGER POLITICIANS WHO HAVE BEEN BOUGHT UP POST INDEPENDENCE AND EDUCATED OFFSHORE GET MORE AUTHORITY FROM THE TRADITIONAL TRIBAL CHIEFS. BUT THIS IS HAPPENING SLOWLY.

EUROPEAN BANK CONTINUES TO BE CLOSE TO GOVT AND THE REGULATORS AND RESERVE BANK.

ON THE NEW BUSINESS TRANSACTIONAL FRONT, EUROPEAN BANK HAS SLIPPED SIGNIFICANTLY. ONE KEY HIGH VOLUME RELATIONSHIP EFFECTIVELY ENDED WHEN THE PRINCIPAL IN CANADA CLOSED DOWN HIS MAIL ORDER BUSINESS. THEY ALSO LOST A COUPLE OF RELATIONSHIPS

DURING THE GAP BETWEEN MARINE MIDLAND AND CITIBANK LAST YEAR. CONSEQUENTLY VOLUMES ARE WELL DOWN ON OUR EXPECTATIONS. A NEW CANS RELATIONSHIP IS JUST COMMENCING WHICH WILL HELP, AND TREASURY DEALINGS ARE INCREASING AS THEY MOVE BUSINESS FROM ANZ TO CITIBANK.

ROBERT IS ACUTELY AWARE OF OUR NEED TO ACHIEVE REASONABLE AP. WE MADE IT CLEAR THAT WE WOULD NEED TO UNDERTAKE A FULL REVIEW ON THIS EARLY IN 1998, AND IF NEEDBE WE MAY CHOOSE TO IMPOSE ACCOUNT MAINTENANCE FEES TO ACHIEVE OUR MIN TARGET REVENUE. THEY HAVE THE COMING YEAR TO RESTORE PROJECTED ACTIVITY. WE ALSO DISCUSSED WHERE THEIR NEW BUSINESS WAS COMING FROM, AND OUR ONGOING NEED TO FOR A HIGH LEVEL OF PROPRIETY IN E-B CUSTOMERS. (WHICH IS MUTUAL).

WE EXPECT TO CALL IN VANUATU AROUND MID YEAR.

REGARDS

CG 003981

Basic Information Report		
Division/Country	Date	Date Opened
GFG Australia	30 Apr 1997	May 1996
Name	Line of Business	How Obtained
European Bank Limited	Private Bank	customer approach
Address	Risk Rating	SIC Code
International Building Kumal Hwy, Port Vila Vanuatu	5-	6029
<u>Ownership/Subsidiaries/Affiliates</u>		
100% beneficially owned by Thomas Bayer family		
<u>Management &amp; Directors</u>		
Exec Chariman Thomas Bayer President/CEO Robert Bohn Exec VP Michael Harkin VP Operations Douglas Peters		
<u>Banking &amp; Other</u>		
Main banker ANZ Bank Vanuatu		
History, Strategic Direction	Product, Customers, Competition	
Group est 1972, owned by consortium of Intl banks include Westpac, HKB. Bought out by T Bayer 1984. Grown steadily, niche approach.	Trust services, transactional services, funds management	
Business Highlights	Summary of CITIBANK Relationship (if applicable)	
largest trust operation in Vnuatu	Initially usd/aud clearing, now expanded to Can, nzd, gbp. plus worldlink drafts. Also fx, mm, bond trading service their funds management arm	

NOTE: Support documentation of BIR information should be maintained on file.

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Know Your Customer													
<u>All Customers</u> a) Review of proof of legal status documents such as Certificate of Incorporate, Certificate of Registration of Business, etc. b) <input checked="" type="checkbox"/> Review of customer's audited financial statements, or Dun and Bradstreet Report or similar type of report: or c) x Visit to customer's premises and review of business (Required for high risk clients, call report must be on file)													
<u>Transaction Profile</u> List of Credit lines (if any) see ca. fx, od, wl  We expect high vol of small ticket items. NY monitors usd activity. Other ccy amounts depo will be inconsistent. Any very large items should be checked (over 1mm except fx settlement) <i>0.5m 48</i> List of Citibank products customer uses  current acct, cls, wl, fx, mm If non AUD list other currencies usd, can, nzd, gbp  Expected Volume average balance around 100 to 150m. high vols in usd cls, otherwise 10-50 items per mth	<u>Risk Category</u> (As defined in the KYC Policy dated May '96)  <table border="0"> <tr> <td></td> <td>High</td> <td>Low</td> </tr> <tr> <td>Geography</td> <td></td> <td>x</td> </tr> <tr> <td>Business</td> <td></td> <td>x</td> </tr> <tr> <td>Product</td> <td>x</td> <td></td> </tr> </table> Is the customer high/low risk <u>low</u> High risk is categorized as: High risk country or High risk business or High risk products AND the customer is non target market (now established customer)		High	Low	Geography		x	Business		x	Product	x	
	High	Low											
Geography		x											
Business		x											
Product	x												
<u>Where Risk Rated 5 or below or not Risk Rated:</u> x Sign off of BIR by Country Risk Manager or Verification of current bank references or Two trade references from principal suppliers or Other - Explain how otherwise achieved comfort	<u>If the customer is high risk</u>  Responsible person for monthly monitoring:  Identify methods for monthly monitoring:												

Approval
 Sales/Account Manager \_\_\_\_\_  
 Relationship Manager \_\_\_\_\_

 Country Risk Manager \_\_\_\_\_  
 (Required when risk rated 5 or below or not risk rated)

 Market/Business Manager \_\_\_\_\_  
*S. J. Falout*  
 Senior General Manager

 RICHARD HEADLEY  
 VICE PRESIDENT  
 P/N 10286

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CG 003861

High Risk Accounts

Country Risk Manager \_\_\_\_\_

Compliance Officer \_\_\_\_\_

*J. Barrett*  
 Subject to review  
 by C. Moore in 12 months

COMPLPOLICYBIR-NEW.DOC

3264

2 JUN 2000 19:12	CITIBANK TREASURY 61 2 92399690	NO. 9171 F. 12/29
Company: EUROPEAN BANK	Scott Greek	
Currency: US Dollar Thousands	4-29-97 3:28 PM	
Country: United States	4-29-97 3:28 PM	

Qualitative Test

Depth & Quality of Management	Good <input type="checkbox"/>	Average <input checked="" type="checkbox"/>	Poor <input type="checkbox"/>
Level of Diversification	High <input type="checkbox"/>	Average <input checked="" type="checkbox"/>	Low <input type="checkbox"/>
Attitude toward Risk	Conservative <input type="checkbox"/>	Normal <input checked="" type="checkbox"/>	Aggressive <input type="checkbox"/>
Importance to Economy	Dominant Player <input type="checkbox"/>	Major Player <input checked="" type="checkbox"/>	Small Player <input checked="" type="checkbox"/>
Existing Management Team	Excellent <input type="checkbox"/>	Good <input checked="" type="checkbox"/>	Weak <input type="checkbox"/>
Government Support	Certain <input type="checkbox"/>	Moderate <input type="checkbox"/>	Not to be Relied On <input checked="" type="checkbox"/>

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3265

Fax sent by : 61 2 92394768

CITIBANK

02/06/98

19:04

Fr: 18/18

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CA remarks  
European Bank Limited  
\$0.4.97

Purpose: Annual review and renewal of facilities with changes as detailed.

Assessment/Obligor rating: European bank is a small wholesale bank domiciled in the Republic of Vanuatu. The relationship commenced in May 1996, with the prospect of up to \$150m in revenues from the extensive cash letter business E-B enjoyed, mostly USD. We were able to satisfy ourselves as to E-B standing through extensive reference checking, and since then have called on them twice.

E-B has a small balance sheet, carrying sufficient capital (\$2.6mm) to support what is essentially a clearing and funds management support business. E-B is not a lender in the normal course of business, with loans of only 33% of capital. Profit is satisfactory, with ROE of about 11%. E-B is moving to conduct all trading on behalf of third party funds under management (>\$50mm) thru the bank, which will improve profitability. However, they have lost a significant proportion of their clearing business during 1996 and 1997, which has impacted on our own account profits. The business lost reflects mainly on operational difficulties when they were moving from Marine Midland to Citibank during mid 1996. (see comments below re AP).

E-B has been risk rated on the Asian FI debt rating model. The model has produced a rating of 5+. This reflects the strong financial ratios E-B has, but does not in our view adequately weight the small size of the balance sheet. According the rating is judgementally downgraded 2 sub grades, to 5-. Our risk is, however, reduced by the presence of usd100m in cash collateral, and also E-Bs pledge to maintain a minimum credit balance in their aud account , of aud76m to cover a guarantee issued on their behalf. Overall, a lift of ORR from 6 to 5- is recommended.

It should be noted that we have considerable comfort in E-Bs management capability, from the experience of long time Chairman Thomas Bayer and MD Robert Bohn, to senior executives Michael Harkin, and more recently Douglas Peters. E-B has excellent standing in the Vanuatu financial community, being close to the Reserve Bank and Financial Institutions Regulator. We continue to be satisfied that E-B meets our expectations in terms of maintaining highest internal prudential standards.

This relationship was originally classified High Risk, due to our lack of familiarity with Vanuatu, and the transactional nature of business. We now recommend lifting the high risk label. Vanuatu has been classified "low medium priority" within Citibanks KYC policy, in the country risk listing extracted from the U.S State depts report on problematic countries. While Vanuatu is regarded as a Bank Secrecy haven, our comfort with E-B and their customer acceptance procedures mitigates this element. The account was originally considered non target market, and therefore high risk for transactional activity. While it remains an exception to new customer target criteria, it is now an established customer and as such is no longer an exception on these grounds. Note however, normal monitoring against profile remains in place.

Facilities: At commencement of this relationship we determined that credit facilities would be minimised, and our obtaining of collateral was part of the strategy. We now have a year of experience with E-B, and are more comfortable with them through familiarity. We are now recommending an increase in TFA from \$200m, with SR of \$250m, to \$450m and \$1mm respectively. Tenors remain short except for the \$61m LLL for guarantee extended which matures in Aug 1998, and is covered by pledged account credit balance. (We note, E-B could draw this balance off, the cover is comfort only.)

Fx dealing levels are growing, along with MM deposits in, E-B is anxious to give us as much business as possible, as they realise expected transactional volumes have not been realised.

CG 006052  
Vice President  
Philip

Not  
agreed - 18

CG 006052

3266

2 JUN 2000 15:09

CITIBANK TREASURY 01 2 92399890

NO. 0111 1. 0/00

Given our comfort with E-B, their improved ORR, and the presence of full FX documentation, it is recommended the line be increased from \$100/250 to \$300/\$1mm (sr), with tenor increased from 7 to 30 days.

A per line for securities trading of \$75m is also recommended, tenor 7 days, for bond trading. E-B regularly invest in bonds for their funds under management.

We are also recommending a DCL of \$200m, available to various booking centers on needs basis, plus an unallocated LLL for temp OD of \$50m. (These limits remain under our control.).

We have discussed AP with E-B, and they fully understand our concerns at the lack of forecast cash letter volumes. They have satisfactorily explained the loss of business. However, this is not tolerable from our perspective, and we have made it clear that if adequate AP is not generated by this time 1998, the relationship will be closely reviewed and at a minimum we will impose account fees to provide adequate revenue to justify the relationship. FX revenues are growing slowly, and some margin is being taken on money market deposits in, thru the OBU.

#### Due diligence

During 1996 we made two calls to Vanuatu, by R Churcher, J Booth, T Fancourt and C Moore. We will call twice in 1997, in May/June and late in the year.

#### Summary

E-B have been highly cooperative in terms of meeting our prudential expectations. They continue to be well managed and the relationship is justified for a further year.

C Moore

J. J. Churcher  
Senior Counsel Manager

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3267

MEMORANDUM



TO: Thomas O'Callaghan  
FROM: Vanessa K. Emilio  
DATE: 30 October 1997  
SUBJECT: EUROPEAN BANK

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Tuesday 28 October to Wednesday 29 October 1997

Financial Services Commission - Mr Julian Ala, Commissioner  
KPMG - Mr Bill Hawks, Snr Partner, external auditors for European Bank  
Clayton Utz - Mr John Ridgway, Partner and Chairman of Vanuatu Financial Centre Association  
Australian High Commission - Mr Alan Edwards, High Commissioner and Mr Steve Pinhorn, 1st Secretary  
ANZ Bank (Vanuatu) Ltd - Mr Garry Tunstall, Managing Director  
Reserve Bank of Vanuatu - Mr Amrit V. Jogia, General Advisor, and Mr L. Tickeher, Advisor

General Legislative Reform:

Comprehensive Economic Reform Policy ("CRP")  
Report published in June  
Conference held in Vanuatu  
Consultative Group meeting in Noumea - presented findings to Asia Branch group, Australia, NZ, World Bank and UN members.  
Public Service Issues  
GST/VAT tax discussion - only private sector is European Bank  
Development Bank likely to be folded into National Bank - political factor poses problem currently.

There are two views in this proposed reform policy structure: One is to merge the two local banks, the National Bank and the Development Bank, and the other includes the elimination of these entities.

The three main commercial banks in Port Vila are seen as a concern. It is difficult to determine the risk involved for loan and financing purposes. This is a continuing problem since the country has a high risk rating and the risk must be weighed upon each application.

Another issue being considered by the CRP is the National Superannuation fund. A non-formal banking entity collects \$40 million VATU annually and buys government bonds locally. This entity is not certain how to invest the fund more beneficially. They are

proposing to alter this structure to enable an investment group to control the National Superannuation fund.

There appears to be no forward thinking regarding the development of Money Market investing in Vanuatu. They are trying to address this issue currently. The government feels it is not getting adequate direction from the Reserve Bank which is a problem. The government feels that due to the lack of advice on fiscal policy, it is necessary to look to independent sources.

The government considers the country to be in a financial crisis and it is on this basis that they are seeking to qualify for ADB assistance. The two national banks require an injection of funds or the Boards will not survive.

The Reserve Bank is currently supported by the World Bank and the Bank of England has been requested to come in as a consultant. The Bank of England currently advises other Pacific islands regarding Banking policy and reform.

There is a recognized need for the separation of domestic and offshore regulation and supervision. In addition, there is a greater need for transparency of financial institution transactions and regulatory compliance in order to ensure adequate supervision of the financial institutions.

#### Financial Services Commission ("FSC")

##### 1. Overview:

The Financial Services Commission is created by an Act of Parliament. The FSC has its own legislation, the 'International Banking Bill', and is making recommendations to this end (I have requested a copy). One of the functions is advisory to the Minister of Finance. The Minister of Finance has the ultimate power and can override any decision or advice which the FSC may give.

In one instance in 1995, the Minister of Finance, against the advice of the FSC and without the necessary compliance with the Banking Act, granted a domestic license to OLILIAN Bank. Olilian Bank ("the Bank") was promoted by Taiwanese promoters who presented industrial investment prospects for investing in Vanuatu. The Bank offered high interest rates on deposits for investors and domestic clients. However, there was no supervisory control and there was no way of ensuring that the Bank had funds. They were, in fact, using the deposited funds to run the Bank. The Bank was wound up but as it had no assets, depositors lost everything. As a result of this and other such matters, the Reserve Bank is no longer held in high regard.

Supervision of the Banks is a problem. The Reserve Bank is the domestic supervisor and the FSC supervises offshore banking. The FSC is also responsible for registration of banks, compliance, strategy requirements, in addition to the advisory function to the Minister of Finance. The FSC makes recommendations to Minister of Finance regarding potential applicants for licenses. Minister of Finance can choose to take the advice of the FSC or not at Minister's discretion. Minister of Finance makes the final decision. The FSC, out of courtesy, advises and copies Reserve Bank of Vanuatu on potential applications and recommendations.

##### 2. Reforms:

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Reforms to legislation which have been recommended by the FSC:

- Power to Minister of Finance and the Reserve Bank to have the capacity to prescribe regulations and make amendments. Currently, under the legislation, all amendments and regulations must go through the Parliamentary process.
- Increase in capitalisation on licensees for offshore financial institutions - up to \$100 million VATU (\$1MM AUD) from the current \$100,000 VATU. Requirement to lodge this with reputable bank (Citibank, ANZ etc).
- Reporting requirements- these are currently annual reporting requirements but the recommendation is to have quarterly reports. In addition, the inclusion of accounts is recommended in the quarterly reporting requirements.
- The definition of "in-house banking" is currently a wide definition. There is no measure of checks and balances and no way of supervising the type of banking which the financial institutions undertake. In addition, other financial institutions have no 'banking business'. There is no means of determining whether the financial institution is involved in investment or merchant banking activities. The requested reform is for the new legislation to differentiate between the various types of banking.
- Another reform is to alter the system of financial institution licensing. Under the new proposed regime, the condition of license which combines the domestic and offshore banking (such as the type which the European Bank currently holds), will contain a requirement to provide domestic services within a certain specified timeframe.
- There is a recommendation that the requirements for incorporation and registration should be more stringent. Following this is the altered classification for categories and classes of licenses.

European Bank is a classified bank; has domestic license combined with offshore license but conducts no local retail business. We presented this proposed reform scenario to European Bank to have an indication of their future plans. Robert Bohn stated that they have a need for the domestic license and will have to consider a means to accommodate this requirement should it be implemented in legislation.

### The Reserve Bank

#### 1. Overview:

The original Bank Act of 1980 contained no powers to the Reserve Bank but amendments in 1989 rectified this. The amendments granted powers to the Reserve Bank and gave it greater rights with respect to Monetary Policy. In 1994/5 most Reserve Bank powers were removed and vested in the Financial Services Commission. Both the Reserve Bank and the FSC are responsible for domestic banking but the powers are vested in the FSC. As stated above, the entry, supervision and exit provisions rest with the FSC and out of courtesy, copies of FSC advices sent to the Minister of Finance are also sent to the Reserve Bank.

#### 2. Reforms:

The Reserve Bank has drafted a Financial Institutions Bill (the "Bill") which contains recommendations such as the granting of more supervisory powers to the Reserve Bank. This

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Bill was modeled on the Samoan and Fijian models. Under this Bill, the Reserve Bank would have the power to conduct onsite and offsite inspections and the power to make regulations to govern the domestic banking activities. This Bill has been submitted to the Financial Centre Association and to the Bankers Association for comment. The general consensus around Port Vila appears to be a general discontent with this draft Bill. The various groups have made submissions to the Reserve Bank with discussion papers proposing changes to the draft legislation. The Bill, with the proposed changes will be reviewed by the Governor in a meeting with the Advisors from the World Bank and any outstanding issues will be discussed.

**Vanuatu Financial Centre Association ("FCA")**

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**1. Overview:**

This Association, established in 1971, is made up of a group of companies and firms that carry on business in Port Vila (ie Banks, accountants, trust companies and insurance companies). They are all involved in the offshore financial centre and also provide services to the local community.

The Association provides a forum for its members for discussion and action on matters that affect the financial industry in Vanuatu. It meets regularly so that members may exchange views and it also holds a regular liaison meeting with the Ministry of Finance.

There are two types of offshore companies: "international" companies and "exempted" companies. Offshore companies are registered in Vanuatu but are not allowed to trade in Vanuatu. However, they can transact business with Vanuatu based bankers, lawyers, and accountants. Typically an offshore company trades internationally (but not in Vanuatu) and uses Vanuatu as its international base for registration of the company, the keeping of its share register, and often for the holding of surplus funds.

**2. Reforms:**

As mentioned above, this entity is involved in the reform bill draft and all legislation has been submitted to this group for general comment.

**European Bank**

**1. Overview of discussions:**

We did not discuss specifics of the ACCC investigation. However, we did discuss the 'Golden Sphere' incident. European Bank have put a hold on the deposits in the various institutions pending a decision or an outcome from the Australian Government Solicitor's office ("AGS") who has been in contact with them. The AGS has served a copy of the order on European Bank but only after the deposits were taken. As such, European Bank assured us that this was a 'learning experience' and that it would not happen again. They appeared genuinely distressed at the disruption this caused. European Bank had apparently been to all the local domestic banks in an attempt to have the cheques cleared but were turned away.

We feel adequately comforted that the ACCC investigation is merely a 'fishing expedition'. It appears to be the general overall feeling in Port Vila that Australian officials are overly suspicious of too many transactions and that they feel Australia to be too 'regulatory'.

3271

To: Chris Moore (APSYD:GF)  
 From: Chris Moore (APSYD:GF)  
 Date: TUE 04-NOV-1997 03:54 PM EST  
 Subject: EUROPEAN BANK FILE NOTE

CMAF 4-NOV-97 05:54:37 046474

CALLS OCT 28 AND 29

EUROPEAN BANK: THEIR BUSINESSES ARE GENERALLY GOING WELL, BUT ARE STILL LOOKING FOR ADDITIONAL CLEARING VOLUMES. THE CANADIAN VOLUMES ARE QUITE GOOD, AND THEY ARE NEGOTIATING AT PRESENT FOR A NEW USD CUSTOMER. IT WAS MADE CLEAR WE ARE NOT HAPPY WITH REVENUES ON THE RELATIONSHIP, BEING WELL BELOW WHAT WAS FORECAST ON THEIR PROJECTIONS WHEN THE ACCOUNT WAS OPENED. WE UNDERSTAND WHY THIS HAS OCCURED, BUT WE CANNOT SUPPORT THE RELATIONSHIP INDEFINITELY AT CURRENT AP (RR ABOUT \$50M PA). ROBERT BOHN FULLY UNDERSTANDS. THE TIMING FOR THE REVIEW OF AP IS MARCH 1998.

WE DISCUSSED THE ACCC HOLD ON \$2400 OF THEIR CUSTOMERS MONEY LODGED WITH US. EUROPEAN BANK HAD TAKEN ON CLEARING FOR A BRISBANE BASED ORGANISATION WHICH WE THEN SAID WE DIDNT WANT TO SEE ACCROSS OUR BOOKS, EVEN THOUGH EUROPE BANK HAD LEGAL ADVICE THAT THE FIRM WAS FULLY OPERATING LEGALLY. (SOME SORT OF FIRM). E-B HAS SINCE TERMINATED THE RELATIONSHIP, BUT HAS A NUMBER OF OUTSTANDING COLLECTIONS STILL TO BE CLEARED UP. E-B ACKNOWLEDGE THAT THEY TOOK TOO LEGALISTIC A VIEW OF THE BRISBANE COMPANY BUSINESS. WE MADE IT VERY CLEAR THAT CITIBANK COULD NOT TOLERATE ANY BUSINESS ASSOCIATION THAT BECAME THE TARGET FOR POPULIST MEDIA.

THERE WAS A HINT IN OTHER DISCUSSIONS THAT E-B WERE AWARE OF ATTENTIONS OF OTHER AUSTRALIAN REGULATORS. WE WERE NOT ABLE TO FOLLOW THIS THROUGH.

GENERALLY DISCUSSIONS WERE VERY AMICABLE, AND I FELT OUR CONFIDENCE IN E-B CONTINUES TO BE WELL PLACED FROM A COMPLIANCE VIEW POINT, IN SPITE OF THE ABOVE MENTIONED ISSUE. WHEN THE TIME COMES TO REVIEW FEES ETC, ROBERT BOHN SAID HE WOULD LIKE TO LOOK AT SEPARATING OUR "COMPLIANCE AND SERVICE" COSTS FROM THE REVENUE SIDE. ESSENTIALLY HE WAS SAYING THAT E-B COULD MEET OUR VISITING COSTS AS A SEPERATE MATTER TO ACCOUNT REVENUES. (I DONT FEEL COMFORTABLE WITH SUCH AN APPROACH) CLEARLY WE ARE VITAL TO E-B AND THAT THEY WILL DO WHATEVER IS REASONABLY NEEDED TO HOLD US WITH THEM.

#### F. NCIAL SERVICES COMMISSION

WE SAW THE COMMISSIONER, JULIAN ALA. HE IS QUITE IMPRESSIVE, VERY SHARP AND AWARE OF THE FRAGILITIES OF THE OFFSHORE BANKING INDUSTRY. HE IS SEEKING TO INCREASE REQUIRED CAPITAL FOR OFFSHORE BANKS FROM 100M TO \$1MM (VT100MM), WHICH SHOULD SERVE TO WEED OUT SOME OF THE SMALLER LESS DESIRABLE REGISTRANTS. HE IS EXPECTING TO LOSE SUPERVISION OF ONSHORE BANKS TO THE RESERVE BANK, UNDER NEW LEGISLATION.

KPMG, BILL HAWKES, ANDREW WEEKES. GENERAL DISCUSSION ABOUT MARKET AND BANKING INDUSTRY REFORMS. NOTABLY, THE BANK OF ENGLAND HAS A REP IN THE PACIFIC WHO IS ADVISING ALOT OF ISLAND NATIONS ON BANKING REFORM. THE LOCAL BANK ACT IS MODELED ON FIJIAN LEGISLATION AND CLEARLY THE BANKS AND COMMERCIAL INTERESTS DONT LIKE IT. TOO MUCH POWER BY REGULATION, IN HANDS OF RESERVE BANK. ALSO, THE OFFSHORE LEGISLATION WILL REDUCE THE ATTRACTIVENESS OF VANUATU TO REGISTER COMPANIES.

CLAYTON UTZ, JOHN RIDGEWAY. SIMILAR STORY TO KPMG.

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FILE	
CATS	SEARCH NAME
<input type="checkbox"/> CA/CPR	<input type="checkbox"/> A/C PLANS
<input type="checkbox"/> CALL REPORTS	<input type="checkbox"/> CODE II C
<input type="checkbox"/> SUB ALLO'S	<input type="checkbox"/> CREDIT
<input type="checkbox"/> FIN'S/SPREADS	<input type="checkbox"/> MARKETIN
<input type="checkbox"/> ANNUAL REPORTS	<input type="checkbox"/> LEGAL
<input type="checkbox"/> BIR	<input type="checkbox"/> NEWS
<input type="checkbox"/> SECTOR	

3272

AUSTRALIAN HIGH COMMISSION, ALAN EDWARDS, COMMISSIONER, STEVE PINHORN FIRST SECRETARY. WE SOUGHT TO GET A FEEL FOR UNDERLYING REASONS FOR AUSTRALIAN GOVT DEPT "SUSPICIONS" ABOUT VANUATU. IT APPEARED THE COMMISSIONER WAS AWARE OF REGULATORY INVESTIGATIONS, BUT ALSO WAS RATHER MORE COMFORTABLE WITH THE VANUATU ENVIRONMENT THAN THOSE IN CANBERRA ! HOWEVER, HE MORE LESS ACKNOWLEDGED

SOME MUTUAL DISCORD AT GOVT LEVELS, HENCE VANUATU FEELS MORE COMFORTABLE WITH THE BANK OF ENGLAND ASSISTANCE THAN SAY FROM AUSTRALIA. THE UNDERLYING CFACTOR COMING THROUGH RELATES TO ATO CONCERNS ABOUT AUSTRALIA RESIDENTS USING VANUATU TO AVOID TAX. THERE WAS NO SENSE THAT MONEY LAUNDERING/DRUGS WAS A CONCERN, EXCEPT AS IT MIGHT RELATE TO RUSSIAN BANKS SEEKING TO REGISTER

ANZ BANK, GARRY TUNSTALL, LOCAL HEAD. USEFUL DISCUSSION. THEY HAVE A GOOD RELATIONSHIP AS LOCAL BANKER TO EUROPEAN BANK. HAS SEEN THE BRISBANE BUSINESS BUT LIKE US HAD DECLINED TO BE INVOLVED. WE DISCREETLY INQUIRED AS TO WHETHER ANZ COULD PROVIDE INTL BANKING FOR EUROPEAN BANK IF WE CHOSE TO WITHDRAW, SEEMINGLY NOT, CERTAINLY AT THE LEVEL OF SOPHISTICATION WE PROVIDE VIA EB.

RESERVE BANK SAW THEIR IMF/WORLD BANK ADVISOR AMARIT JOGIA, KNOWN TO US FROM PREV VISITS. THE RBV HAS 13MM OF GOVT RESERVES WITH CGAM. AMICABLE, HE COMMENTED  
WHAT WAS HAPPENING WITH LEGISLATION, COVERED ELSEWHERE.  
SUMMARY

WE WERE ABLE TO ADDRESS CONCERNS AS TO ACCC ACTION, AND SAW NO EVIDENCE THAT THE OTHER REGULATORY INQUIRY HAS BASIS IN OTHER THAN AN ATO FISHING EXPEDITION.

C M.

-----  
Delivered: TUE 04-NOV-1997 03:54 PM EST

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## European Bank Limited

International Building  
P O Box 65  
Port Vila, Vanuatu  
Southwest Pacific

Telephone : (678) 27700  
Telex : (771) 1023 EURTRUST NH  
Facsimile : (678) 22884  
E-mail : Security@Vanuatu.com.vu

Our Ref: 0205RMB

13 May, 1998

Mr. Christopher S. Moore  
Vice President  
Citibank Limited  
Citibank Center  
1 Margaret Street  
SYDNEY NSW 2000  
AUSTRALIA

Dear Chris,

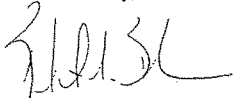
One of our clients (Intel Direct Marketing Pty Ltd, owned by Peter O'Sullivan and Rosalind Rose) provides the software and does the back room work for us in processing credit card charges. They have also acted for several of our other clients who have credit card charges to be processed.

Apparently as a result of acting for a non-Australian client who banked with us, they had their offices in Brisbane raided and all of their files, computers, etc. impounded whilst the NCA went through their operation with a fine tooth comb. This almost brought them to their knees as they were unable to operate without their equipment etc. The authorities were apparently unable to find any evidence of wrong doing by our clients. The result of all that is a recent letter, a copy which has been passed to us and I hereby pass a copy to you.

Although this matter may not directly affect your bank, we would like you to be aware, that there has been substantial investigations of us and a few of our clients in Australia, the result of which has been no fault found (and no compensation granted for the undue hardship).

When you next visit we might discuss this topic further but I felt that a copy of the letter attached may be useful to hold in your file.

Yours sincerely,



Robert M. Bohn  
President & CEO

1 Client EUBICC 0205RMBL.vpd

CG 004856

FILE	
DATE	
<input type="checkbox"/> CA/CPR	<input type="checkbox"/> A/C PLANS
<input type="checkbox"/> CALL REPORTS	<input type="checkbox"/> CODE II CA'S
<input type="checkbox"/> SUB ALLO'S	<input type="checkbox"/> CREDIT
<input type="checkbox"/> FM'S/SPREADS	<input type="checkbox"/> MARKETING
<input type="checkbox"/> ANNUAL REPORTS	<input type="checkbox"/> LEGAL
<input type="checkbox"/> BIA	<input type="checkbox"/> NEWS
<input type="checkbox"/> SECTOR	

3274

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NATIONAL  
CRIME  
AUTHORITY

3 April 1998

Mr A MacSporran Esq  
Barrister at Law  
Level 13  
Inns of Court  
107 North Quay  
BRISBANE QLD 4000

Dear Sir,

O'SULLIVAN AND ROSE

I refer to your letter of 19 March 1998.

The National Crime Authority has conducted an investigation involving your above mentioned clients. As a result of that investigation no charge in relation to any criminal offence will be laid against either of your clients.

Yours faithfully

Craig Smiley

CG 004857

G:\COMMON\TASKING\CORRA\PR.DOC

BRISBANE OFFICE  
147 Coronation Drive  
Milton Qld. 4064  
PO Box 1084, Milton Qld. 4  
Telephone (07) 3213 0888  
Facsimile (07) 3213 0888

RECEIVED 0000

7. 4.1998 14:57

P. 1

## Basic Information Report European Bank Ltd

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<b>Date:</b> 30/04/98	<b>Date Opened:</b> 2/5/96	
<b>Division/Country:</b> GFG Australia	<b>Line of Business:</b> Private Bank	<b>How Obtained:</b> Customer Approach
<b>Address:</b> International Building, Kumul Highway, Port Vila, ,	<b>Risk Rating:</b> 5-	<b>SIC Code:</b> 6029

<b>Ownership/Subsidiaries/Affiliates:</b> 100% beneficially owned by Thomas Bayer Family.													
<b>Management &amp; Directors:</b> <table> <tr> <td>Exec. Chairman:</td><td>Thomas Bayer</td></tr> <tr> <td>President/CEO</td><td>Robert Bohn</td></tr> <tr> <td>Exec. Vice President:</td><td>Michael Harkin</td></tr> <tr> <td>VP Operations</td><td>Douglas Peters</td></tr> <tr> <td>Financial Controller</td><td>Judith Kere</td></tr> <tr> <td>Head of Systems</td><td>Sue Phelps</td></tr> </table>		Exec. Chairman:	Thomas Bayer	President/CEO	Robert Bohn	Exec. Vice President:	Michael Harkin	VP Operations	Douglas Peters	Financial Controller	Judith Kere	Head of Systems	Sue Phelps
Exec. Chairman:	Thomas Bayer												
President/CEO	Robert Bohn												
Exec. Vice President:	Michael Harkin												
VP Operations	Douglas Peters												
Financial Controller	Judith Kere												
Head of Systems	Sue Phelps												
<b>Banking &amp; Other:</b> Main Banker: ANZ Banking Group (Vanuatu)													

<b>History, Strategic Direction:</b> Group established 1972, then owned by consortium of international banks. Bought out by Thomas Bayer in 1984. Grown steadily, taking up niches based on customer demand.	<b>Product, Customers, Competition:</b> Trust services, Insurance (life, mortgage), Private Banking, Transactional Services and administration, Funds Management.  Main competitors are major accountancy firms like KPMG.
<b>Business Highlights:</b> Steady expansion of services over 10 years since purchase by T. Bayer, with a building of close relations with Vanuatu government.  Largest trust operation in Vanuatu.	<b>Summary of Citibank Relationship (if applicable):</b> Initially US and AUD clearing, now expanded to STG, Yen and CAN\$, and Worldlink drafts. Now expanded to money market, bond trading and FX

## Basic Information Report - European Bank Ltd

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**Know Your Customer**

(Must have (a) and either (b) or (c))

- ☒ a. Review of proof of legal status documents such as Certificate of Incorporation; Certificate of Registration of  
☒ b. Review of customer's audited financial statements or Dun and Bradstreet Report or similar type of report  
☒ c. Visit to customer's premises and review of business (required for high risk clients call report must be on file)

<b>Transaction Profile for GTS Products only</b>  List of Credit Lines (if any): clearing and cash letter, \$, aud, can, stg, yen worldlink fx performance bond  List of GTS products customer uses: If non AUD list other currencies: Expected Volumes of each product:	<b>Risk Category</b> (as defined in the KYC Policy dated May 1996) <b>Geography:</b> <input type="radio"/> High <input checked="" type="radio"/> Low  <b>Business:</b> <input type="radio"/> High <input checked="" type="radio"/> Low <b>Product:</b> <input checked="" type="radio"/> High <input type="radio"/> Low <b>Is the customer target market:</b> <input type="radio"/> Yes <input checked="" type="radio"/> No <b>Is the customer high/low risk:</b> <input checked="" type="radio"/> High <input type="radio"/> Low  <b>High risk is categorised as:</b> High risk country OR High risk business OR High risk products AND the customer is not target market
--	--

<b>Where Risk Rated 5 or Below or not Risk Rated</b> (choose one only) <input checked="" type="radio"/> Sign off of BIR by Country Risk Manager <input type="radio"/> Verification of current bank references <input type="radio"/> Two trade references from principal suppliers <input type="radio"/> Other - explain how otherwise achieved comfort	<b>If the Customer is High Risk</b>  <b>Responsible person for monthly monitoring:</b> Chris Moore <b>Identify methods for monthly monitoring:</b>
---	--

**Approval**

Sales/Account Manager

Market/Business Manager

Country Risk Manager

(if required where risk is rated 5 or below or not risk rated)

**High Risk****Accounts**

Country Risk Manager

Compliance Officer

Basic Information Report		
Division/Country GFG Australia	Date 30 April 1998	Date Opened 2.5.96
Name EUROPEAN BANK LIMITED	Line of Business Private Bank	How Obtained Customer Approach
Address International Building Kumul Hwy, Port Vila Vanuatu	Risk Rating 5-	SIC Code 6029

Ownership

100% beneficially owned by Thomas Bayer Family. See attached group organisation chart

Management & Directors

Exec. Chairman:	Thomas Bayer
President/CEO	Robert Bohn
Exec. Vice President	Michael Harkin
VP Operations	Douglas Peters
Financial Controller	Judith Kere
Head of Systems	Sue Phelps

Banking & Other

Main Banker: ANZ Banking Group (Vanuatu)

Approval:

RM or Sales

Outside U.S. CCO or CCO designate or  
in-country Compliance Officer

  
**C. S. MOORE**  
Vice President  
PN. 16931

GEMS Senior Credit Officer

In U.S. Industry Risk Mgr. in U.S. (if any)

CG 003858

EB-APR97

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5/8/98

### Operations

History, Strategic Direction	Group established 1972, then owned by consortium of international banks. Bought out by Thomas Bayer in 1984. Grown steadily, taking up niches based on customer demand.
Product, Customers, Competition	Trust services, Insurance (life, mortgage), Private Banking, Transactional Services and administration, Funds Management.  Main competitors are major accountancy firms like KPMG.
Business Highlights	Steady expansion of services over 12 years since purchase by T. Bayer, with a building of close relations with Vanuatu government.  Largest trust operation in Vanuatu.
Summary of CITIBANK Relationship (if applicable)	Initially US and AUD clearing, now expanded to STG, Yen and CAN\$, and Worldlink drafts. Now expanded to money market, bond trading and FX .

#### Product Activity Information

##### Products

clearing and cash letter, \$, aud, can, stg, yen
worldlink
fx
performance bond

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\* Attach customer survey pages containing volume information

NOTE: Support documentation of BIR information should be maintained on file.

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European Bank

CA remarks

Annual review 1998

Purpose

Annual review and recommendation to extend facilities to 30 ~~April~~ <sup>May</sup> 1999.

Background

This relationship commenced in April 1996, when we were offered subjects clearing accounts in various currencies. We have since broadened the relationship to include small scale treasury dealing, and have provided a small performance bond.

Compliance Issues

Due to Vanuatu's tax haven status, we were initially quite reserved on setting up a relationship, which we finally entered into after extensive investigations as to European Banks' history and standing and a sampling of their customers. In the past two years we have gotten to know them and key managers well, and have called regularly on Vanuatu's financial regulators plus other banks and audit/legal firms in Vanuatu. During 1997 European Banks' files at Citibank were checked in detail by certain regulators in Australia, and nothing untoward was identified. Transactional details for European banks cash letters and bank accounts generally are checked for any indication of money laundering or other abnormal activity, and we are yet to sight anything of concern.

Business/performance summary

European Bank has two primary activities, being banking services for the Funds Management business related to it through its parent, European Trust, and clearing activities for a number of cross border customers. The latter is the source of the cash letter business that first attracted us. European Bank do business with a number of mail order and lottery agencies companies. The paper based collections are consolidated in Vanuatu then sent to Citibank in the relevant country for collection. European Banks' accounts are spread in the Bank rating model output. As can be seen, while the balance sheet has grown in terms of net worth and more recently deposits, profits have been quite flat. This has been due to a loss of some key high volume accounts over the period usd clearing was being moved from Marine Midland to Citibank. The transfer had been expedited by Marine Midland (without real cause, as far as we can determine, Marine Midland later tried to recover the relationship), and European Bank suffered some service problems. We have noted a marked increase in transactional volumes since the start of 1998, and we would expect business profits to improve. It should be noted that the balance sheet, though quite small with net worth of usd2.4mm only, is lowly geared and carries little risk. External loans are less than \$200m. European Bank is not in then lending business, and most of the risk it carries is operational in nature.

Risk rating

Previously approved as 5-, the DRM produces a prequalitative rating of A+. Our DRM version is not able to calculate a final rating, but lack of Govt support would probably drive the rating down to at least A-. Given small size, it is considered a full grade lower remains appropriate, and renewal of 5- is recommended.

Vanuatu Country Risk

The Vanuatu Govt made headlines in 1996 when it was subject to a scam which could have cost them \$100mm, a significant part of the countries' reserves. With the help of the UK authorities, the bonds involved were recovered. Otherwise Vanuatu is a quite well regulated environment, notwithstanding it has been relatively easy in the past for dubious entities to set up an office there. Reform is gradually clearing out such entities. Principals of European Bank have been advisors to the Govt in its endeavours in this

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regard. Vanuatu has no exchange control and no income tax. Taxes are all indirect. The country benefits from some international aid, and also from offshore originated expertise. For example, the IMF provided staff to the Reserve Bank, and the Chief Justice is an Australian based in Melbourne. It should be noted that Australian Govt bodies have displayed concern about the opportunity for Australians to use Vanuatu to evade tax for years. We have met the High Commissioner in Port Vila, and in our discussion; then and elsewhere, have seen little evidence of such activities.

It should be noted Tom Bayer and Robert Bohn have frequently advised Government on banking matters, and have accompanied Govt officials at various cross border meetings with the likes of the IMF and at other forums. European Bank is licensed as and offshore and an onshore bank, but conducts virtually no domestic banking activities.

#### Management

Our main contacts are : Tom Bayer, the Chairman who has been a citizen of Vanuatu since the early 1980s. He went to Vanuatu mid 70s to run PITCO, then owned by a number of large international banks. He bought them out in the early 80s, and this formed the basis of European Bank. Robert Bohn, CEO and senior operational managers Michael Harkin and Doug Peters are all competent and in our opinion of high standing. Technical resources are also strong, more so than might be expected given the location.

#### Account management

We originally expected revenues to the order of \$150m pa, but 1996 and 1997 came through at \$9m (part year) and \$24m respectively. 1998 RR at April end is much better, \$54m, plus we have put a special fee of \$16m pa on the account pending a review of activity with them, scheduled for June.

We plan to call on them then, and also update due diligence at that time. RR on FX is \$20m pa, and there is also some bond activity.

Account management for transactional activities now rests with Kate Plummer/Guy Turner. Given the need for ongoing Responsible Senior overview, given the high risk status of the customer, it is intended the Responsible Senior will continue to act defacto as RM. By next annual review we would hope to move the relationship to low risk, and pass it into TXB account management control.

#### Security

European Bank maintains deposits with us which must be greater than \$100m, to cover the performance bond and other exposures generally. This is subject to letter of agreement, and bankers right of offset, but not a formal mortgage.

#### Facilities

As per ca, are all very short term in tenor, comprising clearing, overdraft and small fx and bond trading limits. The exception is a A\$77m performance bond, originally 15 months tenor, due to mature in August 1998. This is the primary reason for the aforementioned cash deposit. The bond relates to a deposit on a building being purchased in Brisbane by a E-B executive.

Facilities are recommended for renewal without change.

#### Year 2000

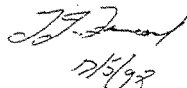
European Bank have advised their Technology head is unavailable until late May, and consequently it is recommended we defer receipt of the questionnaire until June 15. However, we have been more than impressed with European Banks technical resources, and with the additional factor that systems are largely PC based, we do not anticipate they will have any difficulty achieving full compliance.

#### Recommendation

Facilities be renewed for a further year.



C. S. MOORE  
Vice President  
PN. 16931



CG 004105





# FI - BASIC INFORMATION REPORT (BIR)

General Information (Definitions are consistent with Global CA):

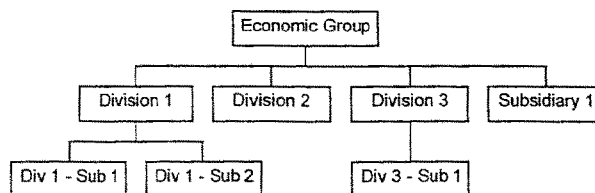
Relationship/Borrower Name: EUROPEAN BANK LIMITED  
 Legal Address: International Building  
 PO Box 65, Port Vila, Vanuatu  
 Southwest Pacific  
 Mailing Address (if different):  
 Phone #: (678) 27700 Fax #: (678) 22884  
 Location: Port Vila Division: EM  
 Country: Vanuatu Branch: Sydney  
 Type of Obligor: Commercial Bank Line of Business: Private Bank  
 # of employees: Auditors: KPMG  
 Citi-ORR: 5- Classification  
 CAGID: 1,001,698,024 GFCID: 1,001,698,024  
 SIC Code: 6,029 AML Assessment:  
 Date Account Opened: Date of Update: 4/16/1999  
 Source of Information: Audited fin'l statements

## Management Information:

Ownership:

Owner Name	%
Thomas Bayer family	100%

If this company is a Financial Group or is part of an Economic Group, please provide an organizational chart of its structure:



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*Board Members:*

<i>Name</i>	<i>Position</i>	<i>On Board since</i>	<i>Age</i>
Thomas Bayer Robert Bohn	Chairman President & CEO		

*Management Members:*

<i>Name</i>	<i>Position</i>	<i>in Company since</i>	<i>In Position since</i>	<i>Age</i>
Robert Bohn Michael Harkin Douglas Peters	President & CEO Executive Vice President VP Operations			
Judith Kere	Financial Controller			
Sue Phelps	Head of Systems			

*Company History:*

*Describe very briefly company's history and the key events that have led to its current position/situation:*  
After being established in 1972, E-B became owned by a consortium of international banks.  
In 1984, Thomas Bayer became the full owner of E-B.

*Market Operations:*

*Products:*

<i>Product Name</i>	<i>Industry Segment</i>	<i>Market Coverage</i>	<i>Market Share</i>	<i>Main Competitor</i>
Trust services, insurance, private Banking, transactional services, Funds management & admin.		Vanuatu	Largest trust Operations in Vanuatu	

*Customers:*

<i>Main Clients Name</i>	<i>Customer Segment</i>
Various	n.a.

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**Money Laundering:**

*Describe company's Money Laundering policies:*

Refer to attached call report of SCO to specifically discuss E-B's money laundering policies & other compliance issues.

**Related Companies:**

*Subsidiaries:*

Name	Industry Segment	Type of Business	% Owned
European Investment Corp European Trust Company Ltd.			

*Affiliates:*

Name	Industry Segment	Type of Business	% Owned
none			

**Premises & Fixed Assets:**

*List company's main Premises and Fixed Assets:*

Description	Location	Owned/Leased
Premises, equipment & fixtures	Vanuatu	Owned

**Client's Banking Relationships:**

Bank Name	Credit Lines (US\$MM)	Maximum Tenor
ANZ Vanuatu	n.a.	n.a.

**Public Issues:**

Debt or Equity	Issuer	Amount (US\$MM)	Maturity
None			

*C. S. MOORE*  
Vice President  
PN 16931

3284

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*Citibank's Relationship Information:*

<i>Position</i>	<i>Citibank Contact / Title</i>
Relationship Manager:	GTS-managed account
Back Up Officer:	
Responsible Officer:	Chris Moore
Credit Analyst:	Freddie Manalac

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3285

Manalac, Alfredo

From: Moore, Chris  
Sent: Tuesday, 4 May 1999 15:26  
To: Fancourt, Tim; Gow, David  
Cc: Manalac, Alfredo  
Subject: European Bank

TF and CM met with Robert Bohn, CEO, for general update on business.

European Bank has made reasonable progress growing its clearing activities, but volumes tend to be patchy. (Note, we are seeing quite reasonable revenue out of the UK).

Balance Sheet is similar size to 1998, and underpinned by investments from their managed funds business.

They are making modest profits, but are stable. There will be some management movements in 1999/2000, with Michael Harkin possibly moving to NZ to run their trustee sub there, and Doug Peters contract coming to an end.

Uatu environment is similar to past several years, with dependancies on external aid. The regulatory situation is positive, although the Australian RBA/APRA influence tends to be paternal and not necessarily in tune with commercial realities. There is a sense that APRA is saying...do as we say, not as we do...

However, our own perspective is that Australian influence will be beneficial if it contributes to confidence by Australian agencies generally that institutions like European Bank are as ethical as any banks here.

We did mention that European Bank seems to have more than its fair share of operating errors with Citibank, (but we seem to create quite a few ourselves).

Overall, amicable discussion, they seem well on top of their business particularly from a "compliance" perspective, and no reason why we should maintain confidence.

i advised we would move the account to Brisbane, after the annual review is completed.

regards

— E-13 —  
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CITIBANK®

*FI - Commercial Bank*  
*Individual Analysis*

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Relationship/Borrower Name: EUROPEAN BANK LIMITED  
 Relationship Manager/Title: GTS-managed account  
 Citi - ORR: 5- Current Classification:  
 GFCID #: 1001698024 GFPID #: 1001698024  
 Base #: 106520 CA #:

STABILITY CRITERIA					
1. Target Market Exception	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	6. Adverse changes in industry/country outlook	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
2. RAC Exception	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	7. Major risk event at the company	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
3. FI Policy Exceptions	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	8. Adverse change in management	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
4. Downgrade in ORR since last full review (2 or more subgrades downgrades)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	9. Significant adverse change in KSFs, Obligor risks, or risk mitigants	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
5. Significant increase in total credit facilities	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	10. Significant adverse change in collateral/support	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		

Covenant Violations	Qualified Auditors' Opinion	Documentation Exceptions	Negative Checkings	Other Issues	DRM Override
<input type="checkbox"/> Yes	<input type="checkbox"/> Yes	<input type="checkbox"/> Yes	<input type="checkbox"/> Yes	<input type="checkbox"/> Yes	<input type="checkbox"/> Yes
<input checked="" type="checkbox"/> No	<input checked="" type="checkbox"/> No	<input checked="" type="checkbox"/> No	<input checked="" type="checkbox"/> No	<input type="checkbox"/> No	<input checked="" type="checkbox"/> No

1. Risk Summary (This question should be answered last)

(a) Highlight in order of priority significant risks/mitigants associated with the exposure to this bank that could lead to a downgrade in the ORR or a FRR — e.g., Y2000 compliance, EMU, financial, industry, etc. - (note: include CCCP-defined "unusual risks").

1. Compliance risk

In light of Vanuatu's tax haven status, there is the risk that EB might be dealing with clients/funds involved in money laundering/other abnormal activity.

This risk is mitigated by the regular contact maintained by senior credit officers of Citibank with key executives and the owner of EB to ensure that appropriate controls are in place to monitor EB's clients' transactions. Since the relationship was started in 1996, senior credit officers of Citibank have visited EB's offices and regularly met with EB management, other banks and audit/legal firms in Vanuatu. In 1997, EB's files with Citibank were checked in detail by Australian regulators who came up with no adverse findings. Finally, transactional details of EB's cash letters and banks accounts are generally checked for any indication of money laundering or other abnormal activity. Thomas Bayer, EB's owner and Chairman, is a competent international lawyer who is knowledgeable of the legalities of the business. The other members of senior management are also deemed to be competent and of strong ethical standards.

2. Country risk

Vanuatu's no-exchange control and no-income tax environment makes it attractive to dubious individuals and businesses.

Reforms to address this risk is continually being addressed by the government with the help of international



organizations/governments such as the IMF and Australian and UK regulators. For example, the IMF has provided staff to the Reserve Bank, while the Chief Justice is an Australian based in Melbourne. On its part, EB, through its Chairman Thomas Bayer and CEO Robert Bohn, has served as advisors to the government on banking matters and have accompanied government officials at various overseas functions.

### 3. Financial risk

EB has a small asset (US\$26MM) and capital (US\$2.6MM) base, making it vulnerable to unexpected losses. This is mitigated by that fact that EB's activities are concentrated on providing banking services for the funds management activities of the group and a number of high networth clients, and clearing services to cross border customers. The level of business with related entities is reflected in the profile of EB's balance sheet. More than 85% of liabilities represent deposits from related parties, while 31% of total assets are lent out to affiliates.

### 4. Year 2000 risk

EB is scheduled to convert to new sub-systems by June 1999 and run systems test afterwards. Although the impact of systems failure has not been estimated, it is not seen to adversely impact EB's financial position since its operations and systems are relatively simple.

### SUMMARY OF EXISTING AND PROPOSED FACILITIES:

(Amounts in US\$'000)	EXISTING FACILITIES	PROPOSED FAC.	INCREASE/DEC.
1. OSTBT-Omnibus Line	50	50	-0-
2. PSR-Omnibus (7 days max.)	300	300	-0-
3. SL-Omnibus	1,000	1,000	-0-
4. DOL	215	215	-0-
5. PSR-Securities trading	50	50	-0-
6. Offshore-Cont. Worldlink	40	40	-0-
7. LLL-overdraft (ACA)	10	10	-0-
8. LLL - Letter of credit (1 yr.)*	-0- (See sec. offset to deposits)	50	+ 50
9. LLL - Letter of credit/bond	-0-	50	+ 50
(10 yrs) Fully secured by cash deposit			
TFA	450	550	

\* Pre-approved by T. Fancourt 30 April 1999 (citimail attached).

(b) Provide comments for each "Yes" checked off in the Stability Criteria and/or any exceptions identified in the second grid.

1. Target market exception
2. RAAC exception

EB falls outside the FI target market/RAAC since its risk rating of ORR 5- is lower than the approved minimum of 4+ for FI relationships.

It is still recommended that the requested facilities be approved, however, in view of the relatively small limits and the minimal attendant risk. The relationship with EB started in April 1996, when Citibank was offered their clearing accounts in various currencies but has grown to include small treasury deals. This annual review also requests approval for a 10-year LC, which will serve as a real estate bond for the Vanuatu gov't premises in NY. The LC will be fully secured by a cash deposit.

(c) Using prior two responses, overall, is the risk profile of the obligor today better, equal or worse vis-a-vis the previous annual review or credit approval? How does this change affect our current or proposed exposure?

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There has been no significant change in the risk profile of EB and we recommend the maintenance of the risk rating of ORR 5-.

EB is still a relatively small bank in terms of asset and capital base. Its business operations is also relatively small and concentrated in providing banking services to the Thomas Bayer group of companies (mainly European Trust) and clearing services for cross border customers. It also functions as a private bank for a number of high networth individuals.

The primary mitigant of the Bank's risks lies on the professionalism and integrity of the owner and management of EB. In a recent meeting of CEO Robert Bohn with senior credit officers of Citibank, he came out as professional and very knowledgeable of EB's business. FI-SCO has met the other senior management of EB and the overall impression is that there is adequate management depth to manage EB.

The financials of EB were tested on the Asian DRM for commercial banks to arrive at an indicative risk rating. The results (*attached*) yielded a final rating of '5+', which is a close approximation of the current and proposed ORR 5-. It should be noted that a limitation of the test is that the Asian DRM is specifically designed for commercial banks (which does not exactly fit EB's profile) which operate in certain countries (which does not include Vanuatu). To account for the second limitation, a country of similar sovereign rating of 4, was nominated and the inflation and exchange rates were adjusted to that of Vanuatu's.

## 2. Industry Strategy

(a) What is the Obligor's strategy? Discuss how it has achieved its strategic objectives over the past 2-3 years.

EB's primary activities relate to providing banking services for the funds management business of European Trust, and clearing services for a number of cross border customers. The latter provided the opportunity for EB to establish a relationship with Citibank in 1996 by offering the clearing business. EB's strategy is to build a treasury business on the back of the requirements of its funds management affiliate and core private banking clients. This has led to the establishment of the FX limits, which have been more actively utilised of late. *[Utilisation report attached.]* EB would also like to capitalise on Vanuatu's tax haven status by acquiring more cross border customers for its clearing services.

b) How is the obligor positioned against the Industry KSFs? Is there likely to be a material change over the next 12 months?

No material change in EB's performance is expected in the next 12 months. If ever, it will be driven by new customers

## 3. Management and Strategy

(a) What is your assessment of management's ability to formulate and execute its business strategy and respond to changes in the economy, industry and competitive environment? How have they evidenced this? (Comment on any changes in the obligor's strategy) How has the obligor performed relative to management's own forecasts?

Management of EB is deemed professional, capable of running the business well, and of high ethical standards. Thomas Bayer, Chairman and primary shareholder, is a competent international lawyer who knows well the legalities of the business. He has been a citizen of Vanuatu since the early 1980s and acquired European Bank in the early 1980s. The other key officers, Robert Bohn (CEO), Michael Harkin and Doug Peters (senior operating managers) are all equally competent and of high standing.

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(b) *What is our access to key company seniors? What is our view of their integrity and character? Comment on overall management depth.*

We have good and regular access to senior management of EB. Regular customer visits/meetings and telephone conversations by FI-SCO allow us to keep abreast of the business developments of EB and ensure compliance risks are being addressed. The regular contact with the client also provides the opportunity to immediately address operational issues and problems. There is adequate management depth for the level of business of EB.

EB's technical resources are also considered strong, especially considering the location of EB's operations.

(c) *Does the obligor have any weakness in its credit and/or risk management, liquidity or trading practices? Provide Citibank Treasurer and/or Senior Managers' (i.e. Corporate Bank or Corporate Finance Head) opinion as appropriate.*

We are not aware of any weakness in EB's credit and/or risk management, liquidity or trading practices. EB is conservatively managed and its client business comes from the clearing services it provides its cross border customers and private banking clients. The bulk of assets are in cash/deposits and FX flows are mainly customer-driven.

(d) *Does the Obligor ownership and organizational/legal structure affect our risk assessment? (Focus on issues such as the transfer of assets among Obligor within related obligors, the importance of specific Obligor to achievement of the related obligor's objectives, access to information regarding the related obligor's businesses, the ability of the related obligor to attract/retain capable professional managers, and disputes among the owners/management regarding strategy and management succession.) Comment specifically on management turnover and the ability of the company to react to this.*

N.A.

#### 4. Financial Analysis

(a) *Focusing on industry trends, KSF's and the obligor's corporate strategy/competitive position, comment on the past financial results of the obligor with specific emphasis on the following parameters.*

- Capital Adequacy (e.g. comment on Obligor's ability to absorb losses)
- Assets: Quality, Rate of Growth
- Liquidity (comment on deposits diversification and term)
- Solvency (comment on any mismatch on tenor of Assets vis-à-vis Liabilities)
- PDO's, non-performing loans and reserves
- Operating performance
- Net Interest and Non-interest Income

EB's operating profit improved in 1998 to US\$292M from US\$222M in 1997 due to higher interest income, foreign exchange gains, and other (dividend) income. [1998 Financial statements attached.] Dividends of US\$83M were paid during the year, resulting in total shareholders' equity of US\$2.6MM by year-end.

Total assets increased from US\$12.6MM in 1997 to US\$23.6MM in 1998 due mainly to a US\$12.0MM deposit from a related entity of EB. The funds were, in turn, placed in interest bearing deposits. EB's liquidity position is sound since the bulk of assets are in cash/deposits. Loans account for a small part of total assets (less than 5% in 1998). The profile of EB's balance sheet reflects its main business, which is anchored on it providing banking services to the funds management business related to its parent, European Trust, and its clearing activities for a number of cross border customers.

(b) *Comment on any significant (existing or potential) variances with industry norms.*

N.A.

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- (c) If the obligor has offshore or any other exceptional banking activities, comment on its impact over financial results, making a special emphasis on Liquidity and Solvency.

N.A.

- (d) If the Obligor has subsidiaries, comment on its impact on the financial results, independence, strength and reliance on parent support.

EB has two wholly-owned subsidiaries, namely: European Investment Corp. and European Trust Co. Ltd., which are reflected in EB's balance sheet as investments totaling US\$1.0MM. EB has substantial dealings with the other companies of Thomas Bayer since it provides banking services to them.

- (e) Discuss the diverse sources of funding available for the obligor (i.e. public funding).

N.A.

- (f) Does the Obligor have access to the capital markets? What internal and external factors affect this access? How does the P/E ratio and Book Value compare to industry averages?

N.A.

- (g) If exposure is greater than 1 year, please comment on key indicators of expected future performance.

EB has requested Citibank to provide a real estate bond for the Vanuatu Govt premises in NY for US\$50M for 10 years. The LC is fully secured, however, by a cash deposit.

- (h) Triggers for classification if applicable. (i) Do triggers for classification need to be set? Provide rationale (ii) Provide follow up on existing triggers, Status?, Trend?; (iii) When will the company be upgraded?, Can we expect any substantial change in following 12 months?

N.A.

##### 5. Relationship

- (a) How important is this relationship to us? How will these facilities help us to improve our position with the customer?

The relationship with EB started in April 1996 when we were offered their clearing accounts in various currencies, but has grown to include small treasury deals. The volume of transactions and level of revenues dipped in 1997, but recovered in 1998. Although EB's level of business remains small relative to other FI names, volume of business is expected to further increase in 1999 as EB revealed that it has acquired new high-volume clients who actively deal in the UK market. EB's transactions with their clients are small-volume deals, but they are able to turn around and deal in worthwhile amounts/sizes with Citibank by aggregating their clients' transactions.

Revenues:	1999 YTD	US\$16,434	- 2 low. J. Treng clearing
	1998 FY	US\$146,204	
	1997 FY	US\$24,080	

- (b) Comment on the credit strategy and credit limits for the following 12 months.

Credit limits are sufficient for the current requirements of EB. No significant increase in TFA is planned and

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projected, given that the account currently falls outside the FI-target market/RAAC. Longer-term exposures will only be considered on a fully-secured basis.

(c) *Responsible Officer Comments on the importance of this credit and the relationship in terms of our local franchise.*

The relationship with EB is not critical to Citibank's franchise. However, it has provided growing revenues for the minimal risk of the credit facilities. Given its relatively small business operation and asset/capital base (and, therefore, EB is outside the FI TM/RAAC), our dealings with EB are based on our assessment of the integrity of the group and professionalism of its owners and management.

Management of the relationship will move to Brisbane upon completion of this annual review in line with their management of the other Pacific island FI names.

FREDDIE MANALAC  
P/N 63478

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C. S. MOORE  
Vice President  
P/N. 16931

PAUL HENDERSON  
P/N No. 61268

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CG 004043

Company: European Bank Limited		freddie manalac	
Currency: US Dollar Millions		5/06/98	
Country: Algeria		12:10	
Qualitative Test		STRICTLY CONFIDENTIAL - NOT FOR CIRCULATION SUBCOMMITTEE MEMBERS AND STAFF ONLY	
Depth & Quality of Management	Good <input checked="" type="checkbox"/>	Average <input type="checkbox"/>	Poor <input type="checkbox"/>
Level of Diversification	High <input checked="" type="checkbox"/>	Average <input type="checkbox"/>	Low <input type="checkbox"/>
Attitude toward Risk	Conservative <input checked="" type="checkbox"/>	Normal <input type="checkbox"/>	Aggressive <input type="checkbox"/>
Importance to Economy	Dominant Player <input type="checkbox"/>	Major Player <input type="checkbox"/>	Small Player <input checked="" type="checkbox"/> <i>He's really quite important from an economy perspective</i>
Existing Management Team	Excellent <input type="checkbox"/>	Good <input checked="" type="checkbox"/>	Weak <input type="checkbox"/>
Government Support	Certain <input type="checkbox"/>	Moderate <input type="checkbox"/>	Not to be Relied On <input checked="" type="checkbox"/>

*C. S. MOORE*  
Vice President  
PN 1693

3293

Moore, Chris

From: Moore, Chris  
Sent: Thursday, 25 November 1999 12:05  
To: Fancourt, Tim  
Subject: European Bank Call, 25 Nov 1999

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Robert Bohn calling on Chris Moore, Citiservice, and Tim Fancourt

First meeting with CM

RB advised that the fraud problem from earlier this year had been contained to about half the original estimates, and the loss was likely to be \$1.3mm to \$1.5mm before recoveries from legal actions against referee banks in the USA.

They have not finalised on accounting treatment, but were resolving with KPMG. They remain within regulatory capital requirements. The loss may be taken to P and L and covered by an injection from Tom Bayer, or may be taken off the accounts, eg Tom could buy the debt off the bank. They have largely discontinued the Credit Card Acquiring business that was at the root of the problem, except for a very limited number of very long established and well known relationships.

Other than that, business was generally satisfactory, but more of less flat on 1998. Growth areas currently are around services in Singapore and Hong Kong. These are mostly secretarial and accounting related. In HK they intermediate some Trade docs preparation for Chinese companies. We discussed the risk involved. While European Bank takes no financial risk directly, they recognise the need to be very careful with whom they are acting for, to avoid getting caught up in any scam.

There is potential to grow the business in London due to possible availability of Tom Bayers daughter who is currently a Private Bank exec with an Australian bank based in London.

We discussed the recent action by BONY and BT to avoid transactions with tax havens, including Vanuatu, Seychelles and Nauru. I made it clear that while we remained comfortable with European Bank, there was always a risk that Citibank could take a similar decision which might be out of our hands. Robert is very conscious of this business risk for them.

The Account Service review went well. Some training effected by our Citiservice team has resulted in significant reductions in the level of service needed. Robert will send the keys Ops staff to Sydney in the new year to meet our people as a continuation of the improvement effort.

In the meeting with TF, apart from further discussion of above, Robert indicated the economy in Vanuatu was doing quite well, with incremental aid flows recently. He and Tom Bayer have a number of directorships and advisory positions to Vanuatu Govt related institutions, as well as other private interests such as a small cement production interest. Roberts family own the largest beef producing property in Vanuatu.

I had a separate discussion with Brenton Terry, who will join European Bank in January to replace Doug Peters. He appears solid and quite familiar with banking through previous positions with Lloyds NZA and BNP. We talked about the Australian regulatory/ATO sensitivity to Vanuatu. He is keen to be able to offer cards to European Bank customers, through some arrangement with a Bank such as ourselves. I made it clear we are not interested, partly due to low volume.

All in all, a satisfactory set of meetings. Our comfort with European Banks ethics/business process continues.

regards

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3294

Document Name: untitled

AIMS -- Message Attachment Display LANZRM ROADLA 13-DEC-99 16:45:35  
id M991210-023506 current list status RATTACH type INT  
attached iid 9117-06DEC99 memo next 10-DEC-99

ISR3381 SCS4690  
NYSAN  
NYSIDCB 102318  
TEST SECURED AMT X

ATTN: CHRIS MOORE

1814 10CITIUS33CXXX65193  
1814 10IRVTUS3NBXXX12830  
199 02

4760

ADVICE FROM BANK OF N  
AS TO WHY THEY  
RETURNED FUNDS ON A  
PARTICULAR TRANSACTION

:20:CIG9912106382300  
:79:ATTENTION: ANDREW BOGIE.  
OUR REF CIG9912106382300  
REGARDING YOUR SWIFT INQUIRY DATED 991209 YOUR  
REFERENCE CITI9117-06DEC99 REFERRING TO USD  
1,987.25.  
REGARDING YOUR CHIPS SEQUENCE NUMBER 012984 DATED  
991206, FOR USD 1,987.25 VALUE 991206 IN SAME DAY  
FUNDS BY ORDER EUROPEAN BK LIMITED FOR FURTHER  
CREDIT TO BANK OF NEW YORK NY NY FOR THE ACCOUNT  
OF INA SCOTT. REFERENCE LCK93390013400 DETAILS  
BNF//INT/PLEASE CREDIT AND ADVISE //AUCKLAND  
SAVINGS BANK, TORBAY / ///AUCKLAND, NEW ZEALAND.  
RE YR ABOVE AND OUR RETURN DD 991206 FED IMA 4838.  
OUR POLICY IS AS FOLLOWS QUOTE EFFECTIVE NOVEMBER  
8, 1999, THE BANK OF NEW YORK WILL NOT PROCESS  
FUNDS TRANSFERS INVOLVING THE COUNTRIES NAUUR,  
VANUATU, AND SEYCHELLES. WE ARE TAKING THIS ACTION  
BECAUSE OF PUBLICLY REPORTED CONCERNS OF LAW  
ENFORCEMENT AGENCIES AND REGULATORS WITH RESPECT  
TO MONEY LAUNDERING CONTROLS IN THOSE COUNTRIES.  
PLEASE BE GUIDED ACCORDINGLY.  
REGARDS,  
INTERNATIONAL BANKING GROUP. UNQUOTE.

FOR YOUR INFORMATION  
ONLY.  
REGARDS.  
DAVID HUNT  
CITISERVICE.

REGARDS, SANDRA JACOB, 315-765-4148. , PLEASE  
RESPOND TO FTD-EUR 1.  
-MAC:B8635692  
CHK:D62BD57DB6F2

SAC  
SOURCE: BANK OF NEW YORK, NEW YORK  
\*\*\* TEXT ADDED BY USA, NEW YORK  
10-DEC 18:14:52 MESSAGE AUTHENTICATED WITH: B3990516B37BA00B  
10-DEC 18:14:50 MOR 991210CITIUS33CXXX3193065193  
10-DEC 18:14:50 I SEQ 65193 SES 3193, LTC003 CITIUS33C FROM IRVTUS3NB  
XXX, MASTER: CITIUS33C

NNNN\*\*\*\*\*

+  
+ -- SECURED TRANSMISSION --  
+ FOR AMOUNT = X  
+

actn DATT p1

p2

03  
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CG 004668

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17.12.99  
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17 December 1999

**CITIBANK** 

Mr T Bayer  
Chairman  
European Bank Limited  
Port Vila  
Vanuatu

Dear Tom

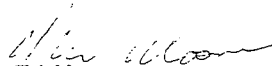
I am writing to advise that Citibank has made a decision to exit its relationship with European Bank.

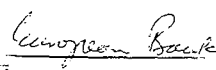
I must emphasise that we are not expressing any concern as to European Banks' standing.

However, we have come to the conclusion that Vanuatu environment attracts attention that is too difficult for us to manage.

We request you move deposits (except those standing as collateral or frozen) at your earliest convenience. We appreciate that it may take some time to establish bank accounts elsewhere, and we have targeted January 31, 2000 for closure, subject to discussion. The LC and Bond outstandings will need to be discussed, and a suitable timeframe for replacement agreed.

Yours sincerely,

  
Chris Moore

  
☐ CA/CPR ☐ A/C PLANS  
☐ CALL REPORTS ☐ CODE II CA  
☐ SUB ALLO'S ☐ CREDIT  
☐ FM'S/SPREADS ☒ MARKETING  
☐ ANNUAL REPORTS ☐ LEGAL  
☐ 3 ☐ NEWS

CG 003945

Author: Catherine LaFalce at 11USNYC  
 Date: 01/04/2000 12:49 PM  
 Priority: Normal  
 TO: Karen J. Kirchen at 12USNYC, Carol A. Baldwin at 22USNYC/o=afl/c=us/a=mci/p=citicorp,  
 James A. Ford at 11USNYC, J Imbert at 14USNYC/o=afl/c=us/a=mci/p=citicorp  
 Subject: RE: European Bank Ltd-Vanuatu  
 ----- Message Contents -----

FYI - an interesting development. We will be exiting our one correspondent bank relationship in Vanuatu in the near future. That means we'll have no direct relationships with any banks in the three central and south pacific islands that were the subject of our recent discussions. This week I will work on that writeup for senior management (i.e., covering off-shore locations)!

Regards

Cathy

----- Forward Header -----  
 Subject: RE: European Bank Ltd-Vanuatu  
 Author: May Marrett at 71EULON/o=AFL/c=US/a=MCI/p=CITICORP  
 Date: 01/03/2000 11:00 AM

Eric,  
 Thanks for the update and I am sure its the right decision.  
 As always ple keep Cathy and I updated.

Tks and Rgs May

-----Original Message-----  
 From: Thortveit, Eric  
 Sent: 21 December 1999 14:01  
 To: Marrett, May  
 Cc: Cantwell, Julie; Buonvino, Steve  
 Subject: FW: European Bank Ltd

may,

Re the Vanuatu discussion. Thats it!  
 Best  
 Eric  
 NB Thanks, Julie

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-----Original Message-----  
 From: Cantwell, Julie  
 Sent: 01 January 1999  
 To: Thortveit, Eric  
 Subject: FW: European Bank Ltd

Eric

Below for your info as I know you had reservations about this relationship a few weeks ago.  
 Regards  
 Julie Cantwell  
 Account Manager

-----Original Message-----  
 From: Moore, Chris  
 Sent: 19 December 1999 22:54  
 To: Ramundi, Sonia; Barrow, Gregg A.; Carrington, Barbara; Cardozo, Blaise; Hedges, Ross; Cantwell, Julie; Plummer, Kate; Moore, Sarah  
 Subject: European Bank Ltd

CG 001045



3297

We have made a decision to exit this relationship. Transaction banking accounts are to remain open and functioning normally until at least Jan 31 2000, and I will update on their replacement arrangements before then.

I do need to have a copy of their bank account movements for Stg, Can and NZD faxed to me weekly starting immediately, to 61-2-92394760.

Any credit line currently approved remain available for the accounts until further notice.

Sonia, could you please call me to discuss the closure process for Worldlink, which is also targeted for Jan end.

regards

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CG 001046

3298

Author: May Marrett at 71EULON/o=AFI/c=US/a=MCI/p=CITICORP  
Date: 01/12/2000 5:53 AM  
Priority: Normal  
TO: Catherine LaFalce at 11USNYC  
Subject: FW: European Bank Ltd - Reason for Closure.  
----- Message Contents -----

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Cathy,

Has gone all sensitive and shy???? Since, one of the reasons is 'discomfort re domicile'...I would say that our messages helped him focus on issues he already had with a/c. I don't think we will get any further info unless we ask specific questions.

Cheers May  
-----Original Message-----  
From: Cantwell, Julie  
Sent: 12 January 2000 10:20  
To: Marrett, May  
Cc: Thortveit, Eric  
Subject: FW: European Bank Ltd - Reason for Closure.

May

An explanation from the RM regarding the closure, as requested.

Eric, thought you might also be interested in seeing this.

Julie Cantwell  
Account Manager

-----Original Message-----  
From: Moore, Chris  
Sent: 11 January 2000 22:27  
To: Cantwell, Julie  
Cc: Hedges, Ross; Schiavon, Nadia; Salim, Shareen  
Subject: RE: European Bank Ltd

The reason is primarily a discomfort with the Vanuatu domicile of the customer. There are secondary revenue and service issues (those issues are in respect of Europeans Banks processes, not ours) that would have had to have had attention this year, but they do not drive our decision. Any request for references from other banks must be referred to me, I do not want any comment being made on the exit, externally, due to sensitivities. However, I should emphasize that there are no concerns as to European Banks integrity. The actual exit date is not yet finalised. I haven't seen any customer statements from Dublin.

regards

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-----Original Message-----  
From: Cantwell, Julie  
Sent: Wednesday, 12 January 2000 2:25  
To: Moore, Chris  
Subject: RE: European Bank Ltd

Chris

CG 001051

3299

for his purposes please could you let me know why the accounts  
are closing. Are there any service issues I need to be made aware  
of. Appreciate what ever information you can give.  
Thanks  
Julie

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p.s. Are you getting your statements from Customer Service in  
Dublin regularly.

Julie Cantwell  
Account Manager

-----Original Message-----

From: Moore, Chris  
Sent: 19 December 1999 22:54  
To: Ramundi, Sonia; Barrow, Gregg A.; Carrington, Barbara; Cardozo, Blaise;  
Hedges, Ross; Cantwell, Julie; Plummer, Kate; Moore, Sarah  
Subject: European Bank Ltd

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I do need to have a copy of their bank account movements for Stg, Can and NZD  
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regards

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CG 001052

3300

-----Original Message-----

From: Plummer, Kate  
Sent: Tuesday, 25 January 2000 7:46  
To: Moore, Chris  
Subject: FW: Vanuatu, Nauru, Palau

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fyi

Kind Regards

Kate Plummer  
Head of Global Cash Sales - Australia  
Phone no. 612-9239 9426  
Fax no. 612-9239 5741  
Email. kate.plummer@citibank.com

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-----Original Message-----

From: Schickler, Thomas  
Sent: Tuesday, 25 January 2000 7:22:AM  
To: DL:FI-ASIA  
Subject: Vanuatu, Nauru, Palau

We have been receiving a number of queries re Vanuatu, Nauru, Palau  
etc., below  
please find some background:

Regards,  
Tom

-----Original Message-----

From: LaFalce, Catherine  
Sent: Monday, January 24, 2000 8:47 AM  
To: Schickler, Thomas; Blanc, Michael  
Subject: Re: FW: RE: FW: BNP, HK - question

Gentlemen,

I just received a different string of CMs on the topic of processing USD  
payments to Vanuatu, Nauru, and Palau (which you were copied on) and  
thought  
you should be aware of our response in case you get further inquiries.  
Lenny  
was copied on the attached.

Regards

Cathy

Forward Header

Subject: Re: FW: RE: FW: BNP, HK - question  
Author: Catherine LaFalce at 11USNYC  
Date: 01/20/2000 5:41 PM

Your questions on this issue made it to me, so let me give you the  
background.

First, I should say that there are no US restrictions on processing  
dollar  
payments to Vanuatu, and we currently have no such restrictions  
internally.

BT/Deutsche, BoNY, and Republic Bank bank have recently ceased making  
US\$  
payments to the islands of Vanuatu, Nauru and Palau. Republic was the

CG 003939

3301

first to do this early last year based on concerns related to their Russian correspondent banking business. BT followed suit after studying the issue for several months, and BoNY announced their policy in November, citing press reports and government warnings about these locations. Other banks are considering similar action given all the attention these jurisdictions are currently receiving.

We have also been studying the issue, and based on business feedback, will be finalizing recommendations to Senior Management. An internal prohibition is highly unlikely, but we do plan to monitor our existing business and funds transfer traffic in these jurisdictions more closely this year. We are not viewing the BT/BoNY policies as a business opportunity we want to actively pursue. FI CEEMEA has also received requests from existing and prospective clients who are looking to us to process US\$ payments to these locations since other banks shut them out, and they are processing some of these wires for existing clients that they feel very comfortable with from a KYC perspective, they are not pursuing new business.

It's also worth noting that recent press report cited rumours that the G-7 countries might impose some form of sanctions against these off-shore banking locations. We will of course keep everyone informed if there are developments.

Regards,

Cathy  
GC&T Compliance

Reply Separator

Subject: FW: RE: FW: BNP, HK - question  
Author: James J. McCarthy-Jr at 07USTPA/o=AF1/c=US/a=MC/p=CITICORP  
Date: 01/20/2000 12:42 PM

-----Original Message-----

From: Wong, Capella  
Sent: Wednesday, January 19, 2000 9:02 PM  
To: Ayala, Carlos; Ayala, Carlos; Lazarus, Alton  
Cc: Wong, Capella; Valentino, Leonard; Cheng, Joy; Chung, Simon K.K.; Moore, Nancy K.; McCarthy-Jr, James J.  
Subject: RE: RE: FW: BNP, HK - question

Carlos,

I'm the RM for BNP HK. REc'd their enquiry last week. They said some of their customers were not able to remit US\$ to BNP Port Vila branch if their customers are using BT or BONY as corr bank. In other words, seems that BT and BONY do not send US\$ payments to Port Vila, and BNP would like to know if there is any regulation in US forbidding this, and whether CBNY has any restriction too. Pls feel free to call me at 852-28687925 if you'd like to further clarify the question.

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ONLY

CG 003940

3302

Moore, Chris

From: Moore, Chris  
Sent: Tuesday, 1 February 2000 11:41  
To: Ferguson, William; Stramandinoli, Nick; Henderson, Paul  
Cc: Fancourt, Tim  
Subject: FW: FW: Vanuatu, Nauru, Palau

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The attached for your update, is recent correspondence with our colleagues in NY, which gives a good sense of the Banks position.

Things have no proceeded as quickly as I would have liked, and I am about to up the pace. We have ended all deposit taking, with the frozen depo (7.5mm) and two small collateral items the only ones remaining (total \$120m). FX dealing is pretty much ended, they are still doing the odd small deal (\$50-\$100m) which I am allowing case by case, but am about to stop completely.

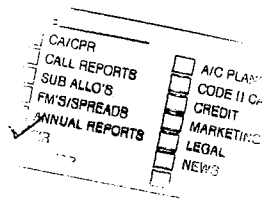
I have been willing to accommodate them to a degree so as not to cause them to be in breach of contractual obligations, but the time to get replacement accounts is close to up.

regards

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immediately;  
you should not copy or use it for any purpose, nor disclose  
its contents to any other person.  
-----

-----Original Message-----

From: Moore, Chris  
Sent: Tuesday, 25 January 2000 11:05  
To: LaFalce, Catherine  
Subject: RE: FW: Vanuatu, Nauru, Palau



We are exiting European Bank, Port Vila, which is a bank licensed and domiciled in Vanuatu, and owned by Vanuatu citizens, not because of any concerns about European Bank directly. Unfortunately, because of Australian Tax Office suspicions that Australian individuals use Vanuatu to evade taxes, Vanuatu attracts alot of attention from here. On top of that, the BONY action has raised the profile of Vanuatu and other localities globally. We just feel that the environmental risk, that something totally unexpected does bob up, is more than we wish to take. The icing on this decision was that our customer found itself with a deposit (from another bank) that was subject to action in the USA as possible proceeds of crime. They did all the right things, including obtaining a Vanuatu court injunction to freeze the funds with them. They also redeposited the USD with us, in the normal course of banking, and the US receivers found this out and obtained a freeze order on us. This is being dealt with in the courts here, and we are satisfied our customer is innocent of any complicity. The courts could also freeze the funds wherever we have on deposited, if they really wanted to go to the bother.

I have highest regard for the individuals who own and operate European Bank, and we are exiting in a manner that causes least harm to their franchise. Replacing us isn't that easy given current actions by BONY.

Please give me warning of any public statements on Vanuatu by the bank. If we did intend to go that route, we should talk first to the Bank of England why send consultants to the Pacific incl. Vanuatu, and possibly the Australian regulators.

regards

-----  
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CG 003937

3303

-----Original Message-----

From: LaFalce, Catherine  
Sent: Tuesday, 25 January 2000 10:12  
To: Moore, Chris  
Subject: Re: FW: Vanuatu, Nauru, Palau

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Chris,

Please be assured that we are not recommending an all-out ban on wire transfers to those locations. At this time what we are actually recommending is no immediate action like those of our competitors because the info we've received from various areas doesn't suggest we have the level of issues that led others to adopt those policies. However, we will take a closer look at some of our existing funds transfer traffic to feel comfortable that we aren't seeing activity that would concern us, and we are inclined in the current environment to recommend discouraging any new correspondent bank relationships with banks in those three places (consistent with what's in my CM).

In the wake of BoNY, correspondent banking is getting tremendous attention here, as are offshore banking havens. I'll forward you a CM that I sent recently regarding upcoming regulatory reviews and some US regulatory proposals. Some of those proposals have troubling provisions. I'm putting together a summary of some of the key provisions to solicit internal comment and I'll gladly send them to you. As an example, several of the proposals have provisions that would prohibit US banks from opening accounts for banks that are:

- licensed to do business in a jurisdiction but have no physical presence in that jurisdiction
- not subject to comprehensive supervision or regulation in their jurisdiction.

Your feedback is welcome, and if you want to set up a call to discuss any of these issues further, please let me know.

Just a couple of quick questions - With respect to the Vanuatu account, I was forwarded the CM in which you cited "domicile" and upcoming service issues that needed to be addressed as the primary reasons for exiting the relationship. In case the question comes up here, is there anything you would add to that? Also, do you have a date for completing the exit of the relationship? Finally, do you know who would be considered the control unit for Palau if the need arose?

Thanks for your help. Regards

Cathy

Reply Separator

Subject: FW: Vanuatu, Nauru, Palau  
Author: Chris Moore at 84APSYD/o=AF1/c=US/a=MCI/p=CITICORP  
Date: 01/24/2000 5:16 PM

Cathy, with regard to Vanuatu, in terms of any consideration on Corporate policy, you should be aware that Sydney is control unit for any relationships. This would also be true for Nauru.

I have visited Vanuatu on several occasions and am quite familiar with local environment, and the regulatory situation there.

We have one banking relationship, currently on exit. However, I would be concerned if institutionally we decided to formally avoid the locality without some input from here.

We have nothing in Nauru, but have in the past had a significant relationship with the Nauru Govt.

best regards

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-----

3304

## VANUATU FINANCIAL SERVICES COMMISSION *Exhibit 7a*

Your Ref:

Our Ref: 0109TMB

Please quote the name of the  
company in all correspondence



Companies House  
Rue de Bougainville  
PMB 023  
Port Vila  
Republic of Vanuatu

Telephone: (678) 22247  
Fax: (678) 22242/23315  
Email: [comphous@vanuatu.com.vu](mailto:comphous@vanuatu.com.vu)

### PRESS RELEASE

FOR RELEASE AT 3:00 PM PORT VILA TIME 11 FEBRUARY 2000

Vanuatu's high level delegation to the United States in response to the banning of US dollar transfers to or from Vanuatu by several banks operating in the USA has returned to Vanuatu.

The delegation, sponsored by the Financial Services Commission, consisted of Jeffery Wilfred, Executive Director of the Ministry of Finance; Julian Ala, Advisor to the Financial Services Commission and its long time Commissioner; Ken McArthur, Chairman of the Bankers' Association of Vanuatu and Managing Director of the National Bank of Vanuatu; Judy Whiteman, Managing Director of ANZ Bank (Vanuatu) Limited; and Tom Bayer, Chairman of the Financial Services Commission.

The delegation not only met with the various banks which had imposed a commercial ban against Vanuatu and with the Federal Reserve Bank of New York, but also with representatives from the following regulatory bodies in Washington D.C.:-

USA State Department  
Bureau of International Narcotics & Law Enforcement Affairs  
House of Representatives Committee on Banking and Financial Services  
Financial Crimes Enforcement Network of the Dept. of the Treasury  
Banking Supervision and Regulation Division of the Board of Governors of the Federal Reserve System  
International Monetary Fund  
Federal Deposit Insurance Corporation  
Comptroller of the Currency and Administrator of National Banks

At each meeting the delegation explained the two separate bank regulatory systems that exist in Vanuatu:-

- a. the domestic one for the banks holding local banking licenses (ANZ, Banque d'Hawaii, European Bank, the National Bank of Vanuatu, and Westpac) which are regulated by the Reserve Bank of Vanuatu via the Reserve Bank Act and the Financial Institutions Act, and
- b. the offshore one for the banks holding exempted banking licenses (currently 63 in number) which are regulated by the Financial Services Commission via the Companies Act and Banking Act (which will soon be replaced by the proposed International Banking Act).



The delegation was able to successfully explain that the reports issued by various USA government departments contained factual errors and this was damaging to the reputation of Vanuatu. In addition there was adequate supervision of the local banks on a basis similar to that existing in most developed countries. It was pointed out that the account opening requirements of local Vanuatu banks was more stringent than that imposed in the USA.

All the government organizations listed above confirmed that they had not issued any directive to any banks to stop processing transfers involving Vanuatu, and that the reports were not for that purpose.

It was also pointed out that there are numerous world banks with operations via exempted bank licensees in Vanuatu who were totally worthy of relations with banks operating in the USA.

The problem, if any, was limited to a few of the exempted banks that are not part of any international banking group. This was not justification to ban transactions for a whole country. Further, the exempted banks almost all hold their US dollar bank accounts not in Vanuatu but in other countries (mainly the USA) so if there is a problem with them, it is a problem in that country's banking system and it is those overseas banks who do not know their customers well enough.

In regard to suggestions that some Vanuatu exempted banks may be involved in laundering of money, the delegation solicited specific advice of any instances of such activity, pointing out that unless complaints are received, then the Vanuatu regulatory bodies had no leads to as a basis to take any action.

Due to recent rumours of possible Russian money being laundered in Vanuatu, in-depth inspections of all Vanuatu exempted banks with Russian connections will shortly commence, with the assistance of the British government, as arranged through the good offices of the British High Commission in Port Vila.

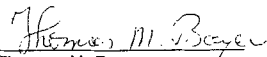
It was broadly agreed with the New York banks that the delegation met that those banks would review their bans with a view to again dealing with the five Vanuatu banks that are licensed as local banks and such of the exempted banks that are connected with recognized international banks where those exempted banks are subject to consolidated supervision in their parent's country. Other exempted banks who wanted to have their transactions processed would have to establish their individual bona-fides.

The delegation felt that the above plan of action by the USA banks was acceptable to Vanuatu at this stage.

The US State department advised that they will be visiting Vanuatu later in February during which time they will follow up on the discussions in Washington. This will enable the Vanuatu banking industry to show them, first hand, the operation of our banking system. This is the next step in the agreed goal of improving communications and cooperation between Vanuatu and the USA in relation to money laundering.

Before leaving the USA, the delegation had the opportunity to be interviewed by the Washington Post and the Wall Street Journal.

The delegation returned to Vanuatu feeling that they had been successful in explaining the standards applied in Vanuatu and that their message had been heard by the right people. Members of the delegation are confident that the bans will be modified shortly.

  
Thomas M. Bayer  
Chairman

(61-2) 9259 4760

CHILS MOORE

F. Y. H.

Tom

George Washington

-----Original Message-----

From: Anne.Liddy@us.hsbc.com [mailto:Anne.Liddy@us.hsbc.com]  
Sent: Thursday, March 10, 2000 7:04 AM  
To: tmb@vli.net  
Cc: Carolyn.Wind@us.hsbc.com; Anne.Vitale@us.hsbc.com  
Subject: Re: Transfer ban on Vanuatu

Mr. Bayer.

I am replying with regards to your email yesterday to Carolyn Wind and your SPREADS  
letter to Anne Vitale dated February 25, 2000. I can confirm that the former REPORTS  
Republic National Bank of New York, as of last week, has amended their policy  
and will process wire transfer payments involving the following 5 domestic banks  
operating in Vanuatu. These banks include:

ANZ Bank (Vanuatu) Ltd.  
Banque d' Hawaii (Vanuatu) Ltd.  
European Bank Limited  
National Bank of Vanuatu  
Westpac Banking Corporation

In addition, the former Republic, as of last week, has amended their policy and will process wire transfer payments involving one of the offshore banks, Banque National de Paris (BNP).

We intend to closely review our monthly wire transfer reports for patterns involving any of the above listed banks and may make a decision not to process payments as a result of any unusual or unexplainable patterns seen.

With regard to the remaining offshore banks (I believe you said there were approximately 60 in total), it was our understanding that you would provide us with an updated list of the offshore banks. We will review this list and possibly amend our policy to include the processing of payments involving offshore banks that are connected to established banks in other countries. To my knowledge we have not yet received this updated list. Could you please forward a copy, thank you.

If you have any questions I can be reached on (212) 525-5906 or on email at [anne.lddy@mb.com](mailto:anne.lddy@mb.com).

Regards,  
Anne Liddy

----- Forwarded by Anne Liddy/Legal Department/Republic of Ireland -----  
03/14/2000 04:38 PM -----

Carolyn Wind  
03/14/2000 01:26 PM

CG 004505

3307

Moore, Chris

From: Mutch, John  
Sent: Thursday, 30 March 2000 15:11  
To: Moore, Chris  
Cc: Stramandinoli, Nick  
Subject: RE: European Bank

Chris,

I assumed that with all the heat re money laundering coming from the BONY issue and the recent request to review all relationships with pacific island banks that this had prompted the issue. I did not mean to imply that European Bank were actually money laundering.

Sorry for the confusion

John

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its contents to any other person.

-----Original Message-----

From: Moore, Chris  
Sent: Thursday, March 30, 2000 1:05 PM  
To: Mutch, John; Moore, Chris  
Cc: Stramandinoli, Nick  
Subject: RE: European Bank

You are absolutely wrong in your assumption, and I am very concerned as to where this suggestion came from. Please advise.

This relationship is being terminated because of the potential for attention to the domicile makes the relationship too expensive to maintain. There is no negative element in European Banks reputation that I am aware of.

regards

-----  
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-----Original Message-----

From: Mutch, John  
Sent: Thursday, 30 March 2000 9:19  
To: Moore, Chris  
Cc: Stramandinoli, Nick  
Subject: European Bank

Chris

I am the compliance officer for New Zealand and am in the process of completing a Citigroup AML questionnaire in which they request details of any accounts closed or relationships terminated as a result of suspicions of money laundering. I understand that the relationship with European Bank is about to be terminated because of this very reason. Please confirm if the relationship has ceased or advise when we can expect closure.

John

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CG 004633

3308

(612) 92394760



## European Bank Limited

International Building,  
P O Box 65,  
Port Vila,  
Vanuatu

Telephone : (678) 27700  
Fax : (678) 22884  
Email : [info@Europeanbank.net](mailto:info@Europeanbank.net)  
Web : [www.europeanbank.net](http://www.europeanbank.net)  
Ref : 1684bitl / 310300

31<sup>st</sup> March 2000

Mr Christopher S Moore  
Citibank Limited  
Citibank Centre  
1 Margaret Street  
Sydney NSW 2000

*response -  
to April 15 only.*

Dear Chris

**RE: APPLICATION TO EXTEND OUR BANKING FACILITIES UNTIL 30<sup>TH</sup> APRIL 2000**

Further to our recent discussions we hereby formally request a further extension of our correspondent and banking facilities that are due to expire at the end of March.

We have now installed the Standard Chartered Bank software onto our system and have been trialling for one day. Initially we are moving all our AUD and NZD funds out of our accounts to Standard Chartered and effecting payments from them. After the next few days of testing we plan to move the USD and other currencies to Standard Chartered and make those payments from there.

As far as our cheque clearing facilities are going we are in talks with a number of banks. These being Westpac, The National Bank of New Zealand, First Union National Bank and Chase Manhattan being the major contenders. We will keep you updated on the state of play here.

We believe the additional time frame will enable us to iron out any possible hic-cups and enable a much more smooth transition between Banks.

Once again Chris, your help and the assistance of Citibank in the past, has been much appreciated and we look forward to your response on the matters raised.

Yours faithfully

Robert M Bohn  
President & CEO  
European Bank Limited

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CG 004513

Judge Coughenour  
*CR* FILED \_\_\_\_\_ ENTERED \_\_\_\_\_  
 LODGED \_\_\_\_\_ RECEIVED \_\_\_\_\_  
 AUG 24 1999  
 AT SEATTLE  
 CLERK U.S. DISTRICT COURT  
 WESTERN DISTRICT OF WASHINGTON  
 BY \_\_\_\_\_ DEPUTY

UNITED STATES DISTRICT COURT  
 WESTERN DISTRICT OF WASHINGTON  
 AT SEATTLE

UNITED STATES OF AMERICA,  
 Plaintiff,  
 v.  
 C-W AGENCIES INC.  
 Defendant.

NO. CR99-454C

PLEA AGREEMENT

Comes now the United States of America, by and through Katrina C. Pflaumer, United States Attorney for the Western District of Washington, and Peter O. Mueller, and Robert H. Westinghouse, Assistant United States Attorneys for said District, and the defendant, C-W AGENCIES INC., and its attorneys, Hillary Richard and Alan Zarky, and enter into the following Plea Agreement, pursuant to Rule 11(e) of the Federal Rules of Criminal Procedure.

1. C-W AGENCIES INC, having been advised of its right to indictment by a grand

PLEA AGREEMENT/[C-W AGENCIES INC.] - 1

9  
 UNITED STATES ATTORNEY  
 800 FIFTH AVENUE PLAZA BUILDING  
 800 FIFTH AVENUE, SUITE 1600  
 SEATTLE, WASHINGTON 98104  
 (206) 553-7970

1 jury and to a jury trial as to the charge set forth in the Information filed in the above-captioned  
2 case, agrees to waive those rights and plead guilty to the Information charging it with  
3 conspiracy to violate Title 18, United States Code, Sections 1301 and 1302, by aiding,  
4 abetting, and causing, in concert with others, the bringing into the United States for the  
5 purpose of disposing of the same and carrying in interstate and foreign commerce, papers,  
6 certificates and instruments purporting to represent tickets, chances, shares, and other  
7 interests, in or dependant upon the event of a lottery, that is, packages of lottery materials  
8 confirming lottery purchases by, and enclosing lists of lottery numbers purchased for,  
9 numerous United States residents; and the sending and delivering by mail of letters concerning  
10 a lotteries, that is, numerous letters soliciting the purchase of chances, shares, and interests in  
11 various lotteries; and agreeing with others so to do, in violation of Title 18, United States  
12 Code, Section 371.

13 2. In this regard, C-W AGENCIES INC. understands that the maximum penalty  
14 provided by law for the offense to which it is pleading guilty is a fine of Five Hundred  
15 Thousand Dollars (\$500,000.00), Orders of Restitution, Remediation, Community Service and  
16 Notice to Victims, a period of probation of at least one (1) year and up to five (5) years, and a  
17 Four Hundred Dollar (\$400.00) mandatory penalty assessment.

18 3. C-W AGENCIES INC. understands and acknowledges that by pleading guilty it  
19 knowingly and voluntarily waives various rights, to include:

- 20 A. The right to plead not guilty and to persist in a plea of not guilty;
- 21 B. The right to be presumed innocent until guilt has been established at trial  
22 beyond a reasonable doubt by a jury which is unanimous in its verdict;
- 23 C. The right to trial before a jury, and at that trial, the right to the effective  
24 assistance of counsel;
- 25 D. The right to confront and cross-examine witnesses;
- 26 E. The right to compel or subpoena witnesses to appear on its behalf;
- 27 F. The right to present the testimony of its officers or agents on its behalf

28

PLEA AGREEMENT/(C-W AGENCIES INC.)- 2

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SEATTLE, WASHINGTON 98104  
(206) 553-7570

1 and

2 G. The right to appeal a finding of guilty or any pretrial rulings.

3 4. C-W AGENCIES INC. is satisfied with the performance of its counsel in this  
4 case and pleads guilty freely, voluntarily, with full knowledge of the facts of its case, and  
5 without any threats, force, or coercion, upon it by others. C-W AGENCIES INC. pleads  
6 guilty because it is, in fact, guilty of the offense of conspiring to violate Title 18 United States  
7 Code, Sections 1301 and 1302 as charged in the Information. C-W AGENCIES INC. enters  
8 this plea with the advice and concurrence of counsel and expressly acknowledges that no  
9 inducements, promises, or representations were made to it or relied upon by it to enter the  
10 guilty plea other than as expressly set forth in this Agreement.

11 5. C-W AGENCIES INC. agrees that in order to find it guilty of committing the  
12 offense charged in the Information, the United States would be required to prove beyond a  
13 reasonable doubt that during the time period set forth in the Information C-W AGENCIES  
14 INC. and one or more coconspirators agreed to commit an offense against the United States,  
15 that is, a violation of Title 18, United States Code, Sections 1301 or 1302, by knowingly and  
16 wilfully agreeing: 1) to bring into the United States for the purpose of disposing of the same,  
17 papers, certificates and instruments purporting to represent tickets, chances, shares, and other  
18 interests, in or dependant upon the event of a lottery; or 2) to cause such papers, certificates  
19 and instruments to be carried in interstate and foreign commerce; or 3) to send and deliver, or  
20 cause to be sent and delivered, by mail, letters soliciting the purchase of chances, shares, and  
21 interests in lotteries, papers certificates and instruments purporting to represent tickets,  
22 chances, shares, and interests in lotteries, or checks, drafts, bills, money orders and credit  
23 card orders for the purchase of tickets, chances, shares and interests in lotteries; and that one  
24 or more overt acts were committed by C-W AGENCIES INC and/or its conspirators to effect  
25 an object of the agreement. C-W AGENCIES further agrees that the facts set forth below are  
26 true and provide an adequate factual basis for its plea of guilty:

27 (A) Beginning at least as early as 1990, and continuing through on or about  
28

PLEA AGREEMENT/(C-W AGENCIES INC.)- 3

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SEATTLE, WASHINGTON 98104  
(206) 553-7970

1 September 19, 1998, within the Western District of Washington and elsewhere, C-W  
 2 AGENCIES INC. #255502, of 2020 Yukon Street, Vancouver, B.C., Canada, did knowingly  
 3 and wilfully conspire with Canadian Overseas Marketing Corporation #485217, Canadian  
 4 Overseas Marketing Corporation # C-333465, Raider Enterprises Ltd., R.L.T. Sales Ltd.  
 5 #271939, Nugget Agencies Ltd. #271395, Patriot Agencies Inc. #285696, Brompton Holdings  
 6 Ltd., #324581, High Street Holdings Ltd. # 309265, Lions Head Printing Inc. #335986,  
 7 European Lottery Guild Marketing Establishment, Continental Mail Processing B.V., Pinnacle  
 8 Technologies Inc. #546992, Forest Heights Holdings Ltd. #441028, and others, known and  
 9 unknown, to commit offenses against the United States, to wit:

- 10 (1) Knowingly bringing into the United States and depositing with express  
 11 companies and common carriers for shipment, and carrying and sending in Interstate and  
 12 foreign commerce, papers, certificates, and instruments purporting to represent tickets,  
 13 chances, shares, and interests in lotteries (18 U.S.C. § 1301); and  
 14 (2) Knowingly depositing in the mail, sending and delivering by mail, and  
 15 causing to be deposited, sent and delivered by mail,  
 16 (a) letters, packages, postal cards, and circulars concerning lotteries  
 17 and similar schemes offering prizes dependent in whole or in part  
 18 upon lot or chance,  
 19 (b) papers, certificates and instruments purporting to represent tickets,  
 20 chances, shares, and interests in lotteries, and  
 21 (c) checks, drafts, bills, money orders, and credit card orders for the  
 22 purchase of tickets, chances, shares and interests in lotteries.  
 23 (18 U.S.C. § 1302). Pursuant to this agreement C-W Agencies Inc., aided and abetted by its  
 24 subsidiaries and affiliates, sent and caused to be carried and sent in interstate and foreign  
 25 commerce and by mail: written solicitations sent from Canada and other countries to United  
 26 States residents, including residents of the Western District of Washington, offering to sell  
 27 chances, shares, and interests in lotteries and soliciting remittances of monies for the purchase  
 28

PLEA AGREEMENT/[C-W AGENCIES INC.]— 4

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1 of such chances, shares and interests; checks and credit card orders from United States  
2 residents to be used for the purchase of chances, shares, and interests in lotteries; and  
3 confirmation packages sent from Canada to United States residents detailing lottery chances  
4 purchased and to be purchased.

5 (B) It was the purpose of the conspiracy to obtain money by utilizing direct  
6 marketing methods, including mailing and telemarketing, to market and sell chances, shares,  
7 and interests in lotteries to residents of the United States illegally, in violation of 18 U.S.C. §§  
8 1301 and 1302.

9 (C) During and in furtherance of the conspiracy, C-W AGENCIES INC. and its  
10 coconspirators, acting from Canada and elsewhere, individually and through the various trade  
11 names and business entities, would and did cause mass mailings to be sent to thousands of  
12 United States residents, including residents of the Western District of Washington, offering to  
13 sell chances, shares, and interests in lotteries conducted in the United States and in foreign  
14 countries, and soliciting remittances of moneys, checks and credits for the purchase of such  
15 lottery interests from United States residents by mail.

16 (D) It was further a part of the conspiracy that C-W AGENCIES INC., aided by its  
17 coconspirators, operated telephone rooms in Vancouver, British Columbia, from which  
18 telemarketers would and did contact thousands of United States residents, and solicit and  
19 obtain orders, together with credit card authorizations, automated bank drafts, checks,  
20 cashiers checks, and money orders, for the purchase of chances, shares, and interests in  
21 lotteries by United States residents. These lotteries included lotteries conducted in Canada,  
22 Australia, Spain, France, Germany, Great Britain, Ireland, and various States within the  
23 United States.

24 (E) It was further a part of the conspiracy that various trade names, including  
25 American Lottery Company, Can-Win, Canadian Winners Authority, Canadian International  
26 Lottery Agency, Global Lottery Affiliates, European Lottery Guild, and Australian Lottery  
27 Federation International, were established and used by the coconspirators to promote and  
28

PLEA AGREEMENT/[C-W AGENCIES INC.]— 5

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SEATTLE, WASHINGTON 98104  
(206) 553-7970

1 market the sale of lottery chances, shares and interests to United States residents.

2 (F) It was further a part of the conspiracy that C-W AGENCIES INC. and its  
3 coconspirators would and did continue to market and sell interests in such lotteries to United  
4 States residents and to receive remittances in Canada from United States residents for the  
5 purchase of interests in such lotteries, despite being subject to an administrative Cease and  
6 Desist Order entered by the United States Postal Service as early as 1992, enjoining the use of  
7 the mail to carry out such activities, and despite receiving multiple subsequent notices from  
8 the United States Customs Service and the United States Postal Service that the use of the  
9 mails and the facilities of interstate and foreign commerce to market and sell interests in  
10 lotteries to United States residents, and to receive remittances from United States residents,  
11 violated United States law.

12 (G) It was further a part of the conspiracy that coconspirator Lions Head Printing  
13 Inc. would print solicitations to purchase chances shares and interests in lotteries, related  
14 promotional material, and confirmation packages detailing lottery chances purchased and to be  
15 purchased, which would be sent to customers in the United States by and on behalf of C-W  
16 Agencies Inc.

17 (H) It was further a part of the conspiracy that coconspirator Pinnacle Technologies  
18 Inc. would create and maintain computerized records and electronic files relating to sales of  
19 chances, shares and interests in lotteries to customers in the United States.

20 (I) It was further a part of the conspiracy that individuals were employed by C-W  
21 AGENCIES INC. and the other corporate conspirators, to act as executives, marketing  
22 managers, coordinators, and directors, for one or more of the marketing entities established  
23 by these corporations to sell chances, shares, and interests in lotteries to United States  
24 residents. Other individuals were employed by C-W AGENCIES INC. as accountants,  
25 coordinators of mass mailings, and telemarketing managers and supervisors for various of the  
26 lottery marketing entities, including American Lottery Company, Can-Win, and Global  
27 Lottery Affiliates. In addition, as part of the conspiracy, C-W AGENCIES INC. utilized  
28

1 hundreds of telemarketers to make telephone calls to United States residents soliciting them to  
2 purchase chances, shares, and interests in lotteries.

3 (J) All of the conspirators, acting from Canada and elsewhere, during the course of  
4 the conspiracy, and in order to effect the objects of the conspiracy, engaged in activities  
5 designed to cause United States residents to remit monies to them in Canada and elsewhere for  
6 the purchase of chances, shares, and interests in lotteries in violation of United States law.  
7 These activities included, but were not limited to, the 23 overt acts set forth in the  
8 Information, which are incorporated herein by reference.

9 6. Pursuant to F.R.Crim. P. 11(e)(1)(C), both the United States and C-W  
10 AGENCIES INC. agree that the appropriate disposition of this case is a fine in the amount of  
11 FIVE HUNDRED THOUSAND DOLLARS, (\$500,000.00), an Order of Community Service  
12 requiring C-W Agencies to serve notice of its plea of guilty and sentence in this case on other  
13 individuals and corporations in Canada who are engaged in the marketing of Lottery chances  
14 to customers outside of Canada, imposition of a period of probation of FIVE (5) YEARS, and  
15 a mandatory penalty assessment of \$400.00. The United States and C-W AGENCIES INC.  
16 further agree that, due to the large number of lottery customers, the relatively small amounts  
17 of their individual losses, and the insubstantial financial resources of the defendant, that,  
18 pursuant to 18 U.S.C. § 3663(a)(1)(B)(ii), no requirement of restitution to victims should be  
19 imposed as part of the sentence in this case, in that the complication and prolongation of the  
20 sentencing process from the fashioning of an order of restitution outweighs the need to provide  
21 restitution to any victims. The United States also agrees not to oppose the request of C-W  
22 AGENCIES INC. that the probation imposed pursuant to this agreement shall be  
23 unsupervised. Should the Court reject the Rule 11(e)(1)(C) disposition set forth herein, C-W  
24 AGENCIES will have the right and be afforded the opportunity to withdraw its guilty plea. In  
25 such event, this Plea Agreement, including all of its provisions, and representations and  
26 admissions by the defendant, will be considered null and void, and neither C-W AGENCIES  
27 nor the United States, shall be obligated or expected to perform any of its conditions.  
28

PLEA AGREEMENT/(C-W AGENCIES INC.)- 7

UNITED STATES ATTORNEY  
SEAFIRST FIFTH AVENUE PLAZA BUILDING  
800 FIFTH AVENUE, SUITE 1600  
SEATTLE, WASHINGTON 98104  
(206) 553-7970

1        7. The United States has agreed not to seek greater financial penalties than those set  
 2        forth in paragraph 6 above, including forfeitures, additional fines, and restitution, based upon  
 3        the representations through counsel for C-W AGENCIES INC. and Randall Thiemer, that  
 4        neither C-W AGENCIES nor Randall Thiemer currently have financial assets sufficient to  
 5        justify imposition of such greater financial penalties. In order to substantiate these  
 6        representations, C-W AGENCIES INC., and Randall Thiemer have each agreed to fully and  
 7        truthfully disclose their financial condition by making all records of their current assets and  
 8        liabilities available for inspection by the United States in advance of the entry of the plea of  
 9        guilty. Failure by C-W AGENCIES INC. and/or Randall Thiemer to fully and accurately  
 10       disclose their current assets to the United States and, if requested, to the presentence  
 11       investigator, will constitute a breach of this agreement.

12       8. As conditions of its probation, C-W AGENCIES INC., its corporate subsidiaries  
 13       and affiliates, and its Chief Executive Officer, Randall Thiemer, agree permanently to cease  
 14       all marketing of lottery chances, shares and interests to United States residents, and further  
 15       agree, during the period of probation, not to engage in or participate directly or indirectly in  
 16       any business offering merchandise, promotions, games, contests, sweepstakes, or any other  
 17       products or services, to residents of the United States through direct marketing techniques  
 18       such as telemarketing, mailings, and use of the Internet. C-W Agencies Inc. further agrees  
 19       that if the United States files a motion alleging that it, its corporate subsidiaries or affiliates,  
 20       or Randall Thiemer has breached this condition, C-W AGENCIES agrees to waive any  
 21       challenge to jurisdiction, and to appear by counsel in this Court to answer such charges.

22       9. C-W AGENCIES INC. acknowledges that as a condition of this plea agreement,  
 23       its chief executive officer, Randall Thiemer has agreed, during the period of probation, to be  
 24       interviewed in Canada, if requested, by agents of the United States, investigating potential  
 25       violations of United States law by others, and to answer any and all questions fully and  
 26       truthfully. Not more than 3 such interviews will be required and they shall be scheduled  
 27       upon reasonable notice and may be limited, upon request of Mr. Thiemer, to approximately 4  
 28

PLEA AGREEMENT/(C-W AGENCIES INC.)- 8

UNITED STATES ATTORNEY  
 SEAWAY FIFTH AVENUE PLAZA BUILDING  
 800 FIFTH AVENUE, SUITE 3600  
 SEATTLE, WASHINGTON 98104  
 (206) 553-7970

1 hours duration each. C-W AGENCIES INC. agrees that if Randall Thiemer refuses such an  
 2 interview or fails to answer questions fully and truthfully, this plea agreement shall be void  
 3 and the United States shall be free to prosecute C-W AGENCIES INC. and Randall Thiemer  
 4 for any and all offences, the prosecution of which it has agreed not to pursue in paragraph 10  
 5 below. Nothing herein shall be construed or is intended to limit the rights of the United States  
 6 to obtain the presence of Randall Thiemer as a witness at legal proceedings pursuant to lawful  
 7 process in the United States or in Canada.

8 10. In return for C-W AGENCIES INC.'S agreement to plead guilty to the  
 9 Information, and other commitments made herein, the United States agrees not to bring any  
 10 additional criminal charges against C-W AGENCIES INC., its corporate subsidiaries, their  
 11 employees, officers, directors, and its Chief Executive Officer, Randall Thiemer, for which  
 12 there is venue in the Western District of Washington, relating to and arising from the  
 13 operation of the lottery marketing business which is the subject matter of the Information and  
 14 which were committed prior to September 19, 1998, involving marketing of lottery products  
 15 to United States residents, or prior to December 27, 1998 involving actions taken in the  
 16 United States to market United States lottery products to non-United States residents.

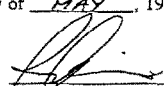
17 11. Should C-W AGENCIES INC. or Randall Thiemer fail to fulfill any and all  
 18 conditions of this Agreement as set forth herein, C-W AGENCIES INC. will be considered to  
 19 have materially breached the Agreement, and the United States will be free to withdraw from  
 20 the Agreement and to pursue any and all charges against C-W AGENCIES INC., its corporate  
 21 subsidiaries, their employees, officers, directors, and Randall Thiemer, to include the charge  
 22 set forth in the Information and any and all charges relating to the marketing of lottery  
 23 products in the United States before September 19, 1998 for which it has evidence. C-W  
 24 AGENCIES INC. and Randall Thiemer further agree that in the event of such material  
 25 breach, any statute of limitations defenses they may have had to the institution of such charges  
 26 shall be deemed waived as to offenses occurring within the 5 year period preceding the  
 27 execution of this agreement.  
 28

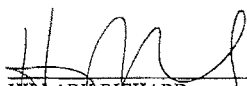
PLEA AGREEMENT/(C-W AGENCIES INC.)- 9

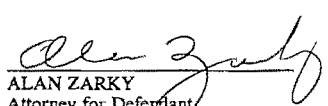
UNITED STATES ATTORNEY  
 SCAPLEY FIFTH AVENUE PLAZA BUILDING  
 800 FIFTH AVENUE, SUITE 3500  
 SEATTLE, WASHINGTON 98104  
 (206) 553-7970

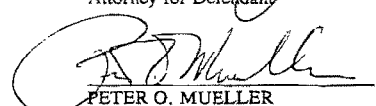
1 12. The United States and C-W AGENCIES INC., by its Chief Executive Officer.  
 2 Randall Thierner, acknowledge that this Agreement constitutes the entire Plea Agreement  
 3 between the parties, and expressly deny the existence of any others terms, either express or  
 4 implied, other than as stated herein.

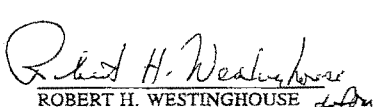
5 Dated: this 17<sup>th</sup> day of MAY, 1999.

6  
 7  
 8   
 9 C-W AGENCIES INC.  
 Defendant, by Randall Thierner,  
 Chief Executive Officer

10  
 11   
 12 HILLARY RICHARD  
 13 Attorney for Defendant

14  
 15   
 16 ALAN ZARKY  
 17 Attorney for Defendant

18  
 19   
 20 PETER O. MUELLER  
 Assistant United States Attorney

21  
 22  
 23   
 24 ROBERT H. WESTINGHOUSE  
 25 Assistant United States Attorney  
 26  
 27  
 28

3319

Senate Permanent Subcommittee  
On Investigations  
EXHIBIT # 60c

**Exhibit 60c.**

**Taves fraud documents**

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Los Angeles Times

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May 4, 1999, Tuesday, Home Edition

SECTION: Part A; Page 1; Financial Desk

LENGTH: 875 words

**HEADLINE:** ALLEGED CREDIT CARD SCAM MAY RANK AMONG LARGEST;  
**COURTS:** MALIBU MAN IS AT CENTER OF FTC CASE THAT RAISES QUESTIONS ABOUT  
**BANKS' OVERSIGHT OF ACCOUNTS.**

**BYLINE:** JEFF LEEDS, TIMES STAFF WRITER

**BODY:**

Puzzled by a charge on her MasterCard statement for Internet access, Bettina Leeney of Calabasas figured someone had made a mistake. She couldn't owe \$ 19.95 to a company called Netfill, she thought. She had never ordered Internet service for her home computer.

The 29-year-old Rocketdyne worker was among up to 900,000 credit cardholders worldwide who were billed by Malibu-based Netfill in what federal regulators say is one of the largest credit card scams in history. A U.S. District Court judge in Los Angeles has ordered the company's owner to appear in court today to respond to Federal Trade Commission allegations that he has been concealing millions of dollars in offshore bank accounts.

Kenneth H. Taves, who controlled Netfill, took in more than \$ 49.4 million last year, only a fraction of which came from legitimate charges for access to pornographic Web sites, according to regulators and a court-appointed receiver. One federal law enforcement source said the extent of the alleged scam was "off the scales."

FTC officials have not yet determined how Taves may have obtained almost a million unique credit card numbers, but they are investigating whether he may have used a number-generating computer program. MasterCard officials said such a program is believed to be circulating on the Internet.

Taves' attorney declined to comment Monday.

While running the alleged scam, Taves--an admitted accessory to a 1980 murder--was permitted by a federal judge to travel repeatedly to the Cayman Islands while on probation for an earlier financial crime, court records show. Taves' firms are now under the control of a court-appointed receiver, Sun Valley-based Robb Evans & Associates.

Investigators for the receiver are scouring banks across the globe for more than \$ 23 million they say Taves may have stashed in offshore accounts. While Taves was on probation for check counterfeiting last year, courts also let him travel to Switzerland, Ecuador, Singapore and other nations.

"We are confident that . . . there will be a significant recovery for consumers," predicted Gary O. Caris of Frandzel Share Robins & Bloom, the firm representing the receiver.

Meanwhile, the case has pointed up potential weak spots in the banking system's oversight of credit cards. Two banks where Taves' companies held accounts took little action despite the fact their own records showed customers were demanding refunds at stratospheric levels.

Generally, businesses must maintain bank reserves to repay cardholders who are billed improperly. Credit card associations count on the banks to monitor those reserve accounts for excessive refund



demands, a signal of possible wrongdoing.

Evans, the receiver, said he was still examining the "apparent willingness" of **Charter Pacific Bank** and **Heartland Bank** to host **Taves'** volatile corporate accounts. Records show refund demands on **Taves'** company accounts averaged 8% last year, far higher than industry standards of about 2.5%. But neither bank shut down his accounts.

Attorneys for the two banks did not return phone calls Monday.

Evans' investigators who examined **Taves'** companies--primarily **JK Publications** and **MJD Service Corp.**--found that only about \$ 3.9 million came from "presumably legitimate" business, either from Web access fees or commissions on other Web transactions. The source of the remaining \$ 45.5 million, according to a receiver's report, is "highly questionable" and is not supported by the customer data in files seized from **Taves'** firms.

The receiver's investigators are now in a mad scramble to locate **Taves'** assets. A sworn financial statement indicates he has a net worth of about \$ 2.5 million, with ownership of a Malibu home, a private plane and 50% ownership of a house in the Caymans.

But investigators believe he owns much more. Last week, investigators said they found previously undisclosed **Taves** accounts in a Cayman Islands bank with \$ 6.2 million in cash and securities.

**Taves** and his wife, **Teresa**, have been ordered to appear in federal court today to explain why the accounts were not disclosed.

Documents reviewed by **The Times** show a check for \$ 1.5 million from one of **Taves'** firms was deposited at **Euro Bank Corp.** in the Caymans last Nov. 16, while **Taves**, on probation, was scheduled to be there on a trip approved by U.S. District Judge **Lourdes G. Baird**.

No one from the U.S. attorney's office or the U.S. probation office ever objected to **Taves'** overseas trips, which also were approved by U.S. District Judges **Dickran M. Tevzian Jr.** and **Audrey B. Collins**.

**Taves**, 47, is still on probation for his role in a 1997 check-counterfeiting scheme.

That was not his first run-in with the law. **Taves** was also charged in Los Angeles County for the 1980 murder of **Jeffrey Rockman**, who had allegedly swindled him in a business deal.

According to two law enforcement sources, **Rockman** was in the federal witness-protection program when his body was found in his oceanfront Venice apartment.

A local handyman told authorities that **Taves** had hired him to shoot **Rockman**. But the handyman died in a car accident before trial. With no case left, prosecutors let **Taves** plead guilty to accessory to murder. He received probation.

LANGUAGE: English

LOAD-DATE: May 4, 1999

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August 25, 1999, Wednesday, Home Edition

**SECTION:** Part A; Page 1; Financial Desk

**LENGTH:** 1673 words

**HEADLINE:** CAYMAN ISLANDS LIFTS VEIL OF BANK SECRECY

**BYLINE:** JEFF LEEDS, TIMES STAFF WRITER

**BODY:**

Investigators tracing the proceeds of an alleged international credit card fraud unearthed millions of dollars this month after piercing the secrecy laws of the **Cayman** islands, long known as "the Switzerland of the Caribbean."

In a stunning break from tradition, **Cayman** authorities have turned over records showing that Kenneth H. Taves of Malibu, who is accused of improperly billing up to 900,000 credit card holders, transferred \$ 25.3 million in allegedly illegal profits since mid-1997 to Euro Bank Corp. on Grand **Cayman**.

Taves' links to the bank have sparked a scandal on the tiny island territory, which has long wrestled with its reputation as a safe-deposit box for crooks. The British dependency of 37,000 people is home to more than 570 banks with \$ 500 billion in deposits from foreign banks.

Regulators in the **Caymans**, often derided for lax banking oversight, have seized Euro Bank—one of just 30 licensed in the **Caymans** to accept foreign and domestic deposits—and arrested two bank officers on suspicion of money laundering, a step one top U.S. Treasury Department official called remarkable.

The seizure of Euro Bank is only the latest twist in the British territory's effort to shake its soft-on-crime reputation. Embarrassed by revelations that their banks' clients have included the Medellin cocaine cartel and Iran-Contra figure Oliver L. North, **Cayman** bank regulators have written strict policies including know-your-customer rules, with an eye toward preventing criminals from laundering drug profits or insider-trading proceeds.

As a result, investigators say, crooks are looking for ever more obscure jurisdictions in which to conceal their ill-gotten gains. (The South Pacific micro-island of Niue has been a fashionable hide-out recently.)

Yet a dubious renown such as the **Caymans'** is difficult to shake. Switzerland enacted several U.S.-favored bank reforms a decade ago, but in recent years it has been clobbered by charges that it hid Holocaust victims' assets for the Nazis during World War II.

For their part, the **Caymans** win some praise from U.S. federal investigators for recent reforms, including a law allowing the government to seize illicit proceeds. **Cayman** regulators have shut down three other problem banks since 1993: First **Cayman** Bank, Guardian Bank & Trust (**Cayman**) Ltd. and Finsbury Bank & Trust Co.

Michael Anderson, chief of the FBI's money-laundering section, said "the **Caymans** have had kind of a change in attitude" over the last decade and now cooperate more readily in criminal investigations.

Based on their review of Euro Bank, Anderson said, **Cayman** authorities have referred several other depositors to the FBI for investigations unrelated to the Taves credit card case.

Still, reviews of the **Caymans'** posture toward U.S. inquiries remain mixed.

Although the **Cayman** government has agreed to release confidential bank information for use in U.S. criminal investigations under a 1990 treaty, it does so only if the offense is a crime as defined by the laws of both countries.

Until three years ago, there were no criminal penalties for **Cayman** bank officers who covered up money laundering. And because the **Cayman** Islands has no direct taxation, it doesn't deem tax evasion a crime.

Moreover, the **Cayman** banks' refusal to provide information in civil cases has prompted such outrage among U.S. regulators that the Securities and Exchange Commission recently blocked the **Caymans** from joining an international securities organization.

"They and other offshore jurisdictions have been cooperating on criminal issues as a way to avoid pressure on the civil and tax side," said Joseph Myers, assistant director for international programs with the Treasury Department's Financial Crimes Enforcement Network. "There's been a lot of pressure in the international community to see action" similar to the steps taken in the Euro Bank case, Myers said.

Yet the fear of losing their financial services industry has made the **Caymans** fiercely protective of their status as a tax haven and their traditions of confidentiality.

The **Cayman** regulators' decision to seize Euro Bank comes as the territory's financial system is about to undergo three separate reviews by the United Nations, the Group of Seven's Financial Stability Forum and Britain's Foreign & Commonwealth Office.

"We really have nothing to hide here," said Neville Grant, chief of the **Cayman** Islands Monetary Authority. "I think we will come out reasonably well. We aren't perfect. But I don't know of any jurisdiction that is perfect."

Spotted by Christopher Columbus' crew on his last trip to the West Indies in 1503, the **Caymans'** coral sands quickly became a way station for mariners and remained a sleepy outpost for centuries. As a recession loomed in the mid-1960s, the islands enacted a series of tax and trust protection laws to attract the financial industry. Multinational banks began opening branches there en masse.

Now major financial services firms such as Merrill Lynch & Co. maintain offices in the **Caymans** to serve an international clientele. Foreign investors who want to trade U.S. securities, for example, conduct their transactions there without exposure to foreign withholding taxes. And individuals can legally set up trusts to shield their assets from creditors.

#### Bank Liquidator Sued U.S. Government

But what troubles U.S. law enforcement officials is what they see as the **Cayman** government's occasional willingness to put bank clients' anonymity ahead of justice.

For example, the government-appointed liquidator of another **Cayman** bank, Guardian Bank & Trust (**Cayman**) Ltd., unsuccessfully sued the U.S. two years ago to recover encrypted computer files turned over by the bank's former owner for use in tax and other cases.

A federal prosecutor in New Jersey said this month that those records have since resulted in

investigations of more than 1,500 people and that the former bank owner that surrendered the data had provided "the most important assistance in the history of tax haven prosecution."

But Eduardo D'Angelo P. Silva, president of the **Cayman** Islands Bankers Assn., said the liquidators were justified in trying to block investigators' access to the records because they "had a duty to protect the integrity of information belonging to the bank. . . . We must expect other countries to respect our laws."

Traditionally, banking experts say, those policies allowed banks to refuse pleas for information in U.S. civil cases, such as the one the Federal Trade Commission has filed against Taves.

Regulators have accused Taves of defrauding credit card holders around the world by billing them for services they never purchased--namely, entry to pornographic sites on the Internet. Complaints about improper charges--which may run to \$ 45.5 million--have been posted on Web sites originating in the United States, Japan and Australia.

Taves has denied wrongdoing and has said unscrupulous computer users may have entered stolen card numbers into his Web sites, causing the inaccurate billings.

In January, a federal judge in Los Angeles ordered Taves to disclose his assets and repatriate any offshore funds to the U.S. Under the order, which also froze his accounts (except for the purposes of returning offshore funds), Taves' companies were turned over to a receiver, Robb Evans.

Taves--who obtained U.S. permission to visit the **Caymans** twice last year while on probation for an earlier financial crime--filed a statement indicating his net worth was about \$ 2.5 million. But copies of checks found by the receiver indicated Taves may have sent millions offshore, including to Euro Bank.

A bank officer, in a departure from the **Caymans'** legendary secrecy, filed an affidavit stating that Taves and his wife held accounts containing more than \$ 6.2 million.

Prosecutors charged Taves with filing a false financial statement and had him taken into custody by the FBI. He remains in custody, with a hearing scheduled for Sept. 13.

A week after the case was detailed in The Times in May, **Cayman** regulators seized the bank and turned it over to two Deloitte & Touche accountants for review and, ultimately, liquidation.

**Cayman** police filed an order to freeze accounts at Euro Bank, **Cayman** National Bank and the Bank of Nova Scotia.

While **Cayman** policy traditionally let banks withhold records in civil cases--such as the FTC complaint--Evans' talks with the Deloitte liquidators prompted them to make what one investigator called a "pragmatic business decision" amid the fast-spreading scandal. In exchange for a release from legal liability, the liquidators opened their files on accounts linked to Taves.

#### Opened Files Show Fund Transfers

As outlined in a report Evans filed in federal court in Los Angeles, the bank records showed Taves had transferred about \$ 25.3 million to two Euro Bank accounts he controlled, then scattered it in the **Caymans**, Liechtenstein and Vanuatu, a South Pacific republic.

Evans said he plans to file legal papers to freeze and recover the approximately \$ 21.2 million that remains in Taves' newly discovered accounts for potential repayment to credit card holders.

Taves also let a Euro Bank officer, Judi Donegan, stay at his Rum Point beach house on Grand Cayman and transferred \$ 4,000 per month to her account at the Bank of Butterfield there, according to the report.

Cayman Islands police have arrested Donegan and Ivan Burges, another bank officer who handled Taves' accounts. Euro Bank remains in liquidation proceedings.

Regulators aim to portray the case not as the latest black eye for the offshore financial industry but as a symbol of their scrutiny of banks.

"In any major international financial center, you're going to have people who from time to time will not operate up to international standards," said Neville, the chief of the monetary authority. "What we do about them is we put them out of business. I'm not sure there's anything else you can ask us to do."

LOAD-DATE: August 25, 1999

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September 11, 1999, Saturday, Home Edition

SECTION: Part A; Page 1; Metro Desk

LENGTH: 1303 words

**HEADLINE:** BANK SOLD CREDIT CARD DATA TO FELON;  
**PRIVACY:** CHARTER PACIFIC GAVE CARD NUMBERS TO MAN WHO ALLEGEDLY USED  
THEM TO RUN UP \$45 MILLION IN BOGUS CHARGES. CONSUMER ADVOCATES SAY CASE  
ILLUSTRATES NEED FOR TOUGHER LAWS.

**BYLINE:** JEFF LEEDS, TIMES STAFF WRITER

**BODY:**

A San Fernando Valley bank sold a convicted felon 90% of the credit card numbers that he allegedly used to run up \$ 45.7 million in mostly bogus charges against consumers worldwide, according to interviews and court documents filed Friday.

**Charter Pacific** Bank, which has made millions by processing credit card transactions for adult entertainment firms, provided Kenneth H. Taves of Malibu more than 3.7 million card numbers compiled from its merchants' accounts, according to a report filed in U.S. District Court in Los Angeles.

Discovery of the sale appears to answer investigators' questions about how Taves, 47, obtained the 900,000 card numbers he allegedly billed, but it also provides new ammunition to consumer advocates in the intensifying national uproar over financial privacy.

"I find it outrageous that the law allows a bank to sell credit card numbers," said Ed Mierzwinski, consumer program director at the California Public Interest Research Group's Washington office. "This will help expose the seamy businesses these banks are in."

Federal and state banking regulators are examining **Charter Pacific's** database sales and its handling of Taves' merchant accounts. But it is unclear if such sales are illegal.

"We're looking at the issue of exactly what happened here," said George Doerr, the Federal Deposit Insurance Corp.'s assistant regional director. "It's a problem giving customer information at all. To give out credit card numbers, that's pretty serious."

**Charter Pacific** said it sells the data files to merchants as a tool for verifying customers' card numbers, particularly in online transactions. When a customer submits a credit card, the merchant can check it against the databases of numbers and reject any cards that appear to have histories of misuse, bank executives said.

The Agoura Hills bank said Taves apparently purchased the databases before an account for one of his firms, Netfill, was shut down due to excessive chargebacks, or refund demands. The bank has said it didn't know Taves was associated with two other accounts that his firms allegedly used to process transactions there.

Regulators allege that Taves illegally billed Visa and MasterCard holders worldwide for a service they never ordered: access to his network of X-rated Web sites.

**Charter Pacific** President Michael Ward said the bank conducts a credit check of all merchants requesting the credit card databases, but doesn't check for criminal histories. When **Taves** ordered at least three databases from the bank in November 1997, he was on probation for a conviction eight months earlier for aiding and abetting a check-counterfeiting scheme, court records show.

Ward said the bank has found "no single place you can go" to conduct such a check, and said the databases "shouldn't be useful for anything other than a fraud scrub," referring to the verification process merchants use.

Even if the bank had learned of **Taves'** criminal record--which also includes a conviction for being an accessory to a 1980 murder--it would not be barred by law from selling him the customer data, experts said.

"There's no statute I know of that says banks can't sell information to convicted felons," said Senior Assistant Atty. Gen. Herschel Elkins, who is examining financial privacy in California. "We're looking at all the possibilities."

Banking industry officials said several major banks have sold personal customer data, including credit card numbers, to marketing firms. But they said **Charter Pacific's** practice of selling card numbers for merchant verification appeared to be unusual.

Earlier this year, state regulators in Minnesota sued Minneapolis-based U.S. Bancorp for selling customer information, including credit card numbers, to an outside marketing firm. Minnesota officials said the sales violate federal and state consumer protection laws. In June, the bank settled the case without admitting the allegations and agreed to pay about \$ 3 million to the state and various charities.

#### Some Banks Have Tightened Policies

Other major banks, including Bank of America and Wells Fargo, have sold or shared customer information such as telephone numbers and account numbers with outside vendors or telemarketers. But the banks tightened their policies on releasing the data earlier this year amid a raft of customer complaints.

But spokesmen for Bank of America and Wells Fargo said Friday their institutions don't sell credit card numbers to merchant account holders.

The report filed Friday, compiled by the receiver who was placed in charge of **Taves'** assets by the court, also represents a potentially devastating disclosure for **Charter Pacific**, an institution whose shares trade over the counter. The bank reported \$ 91.5 million in assets at the end of last year.

When **Taves** ordered the data files, the bank already was under an order from the FDIC to tighten controls throughout its operation as a result of bad real estate loans. If the bank is found to have violated that order, it could be fined. Moreover, it could face legal liability for card holder losses, which are estimated to exceed \$ 45 million.

Established in 1981, the bank in recent years has depended heavily on the fees generated by processing card transactions, including those for phone-sex lines and X-rated Web sites. Most banks earn the majority of their income from lending. But **Charter Pacific** last year reported \$ 6.9 million in net income from card processing operations and only \$ 4.8 million from lending.

**Charter Pacific** officials have told the Federal Trade Commission that about one-third of the bank's 250 merchant accounts belong to Internet-based adult entertainment firms. The bank's executives noted Friday that their other merchant accounts include mail-order firms and retailers. The credit card numbers that **Charter Pacific** sells belong to customers of all its merchants, not just the adult-content services, according to the receiver.

Bank officials also said the case points up weaknesses in the credit card system. When a card holder

makes a purchase, certain card information is supposed to be verified electronically by the bank that issued it. But some banks automatically approve transactions under \$ 50, and some don't require information such as the card's expiration date to authorize purchases, **Charter Pacific** officials said.

Because the databases provided to Taves contained only credit card numbers--not expiration dates--the only way the charges could be approved is if banks didn't demand that extra data, said Executive Vice President Richard Cornejo. What's more, the amount typically billed to each card was only \$ 19.95.

Lawyers for the FTC--which filed the civil complaint alleging that Taves deceived consumers--plan to meet with Taves' attorneys Wednesday to discuss a settlement of the case. The U.S. attorney's office is also investigating. Taves has been in federal custody since May on a related criminal complaint of filing a false financial statement to the FTC.

His attorney could not be reached Friday. In the past, Taves has denied wrongdoing and said unscrupulous computer users may have entered stolen card numbers into his adult Web sites, causing the inaccurate card charges.

FTC officials had speculated that Taves obtained the card numbers by using a mathematical formula to generate random digits. But FTC staff attorney Doug Wolfe said the discovery of the bank database is "a strong indicator" of the numbers' origin.

Mierzwinski, the Washington privacy advocate, said he hoped the case would fuel the push for laws restricting what information banks can release to outsiders.

"This bank, in my opinion, is potentially risking the safety and soundness of the banking system," he said. "This has to be stopped."

**LANGUAGE:** English

**LOAD-DATE:** September 11, 1999

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[View Related Topics](#)

September 17, 1999, Friday, Home Edition

SECTION: Business; Part C; Page 2; Financial Desk

LENGTH: 158 words

HEADLINE: CALIFORNIA;  
SOUTHLAND FOCUS;  
BANK SAYS IT'S HALTED CREDIT CARD DATA SALES

BYLINE: Jeff Leeds

**BODY:**

Charter Pacific Bank said it had ceased sales of credit card number databases as a result of a controversy over financial privacy. Visa International officials warned the Agoura Hills-based bank earlier this week that selling the databases violated the card association's rules. But bank President Michael Ward said the decision to halt the practice "was made before they got here." Bank officials said they sold the databases--which contain millions of numbers compiled from the bank's merchant account holders--for use as a fraud prevention tool. But a report filed in U.S. District Court in Los Angeles last week showed that at least 90% of the numbers contained in databases the bank provided to one merchant, Kenneth H. Taves, were allegedly billed for \$ 45.7 million in mostly bogus charges. Sources say the bank said it sent a letter notifying Visa of the sales; Visa is reviewing its records to determine if the letter was received.

LANGUAGE: English

LOAD-DATE: September 17, 1999

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3330

PCCL REPORTING AUTH

*EURO BANK*

**Financial Reporting Unit - Press Release**

Over the course of this week, charges have been laid against nine persons. These charges relate to the "laundering" of in excess of US\$25 million, which represent the proceeds of the criminal activities of Californian resident, Kenneth Taves.

Four of the persons charged are local residents, three of whom were former employees of Euro Bank Corporation. They will appear in court on 28<sup>th</sup> February 2000.

Arrest Warrants have been issued for the five other persons charged with related crime.

The charges arise out of an investigation, by the Financial Reporting Unit of the Royal Cayman Islands Police, into the affairs of Euro Bank Corporation.

The investigation continues and further arrests are anticipated.

ATTENTION:



THE CRIMINAL PROCEDURE CODE  
(Section 13)

CHARGE BY POLICE OFFICER

In the Summary Court of Grand Cayman

Ivan Richard Wykeham Burges of 13 Caribbean Paradise, South Sound, George Town,  
Grand Cayman, British West Indies.

is charged with the following offences :

Money Laundering Contrary to Section 21(1) Proceeds of Criminal Conduct Law,  
1996 (1999 Revision)

PARTICULARS OF OFFENCE

Ivan Richard Wykeham Burges on divers days between the 24<sup>th</sup> day of July 1997 and 11<sup>th</sup>  
day of May 1999 entered into an arrangement whereby-

Money, shares and other negotiable instruments to the value of US\$25,350,000, under the  
retention, direction or control of Kenneth Taves, whether by himself or others, being the  
proceeds of criminal conduct, was concealed, removed from the jurisdiction, transferred  
to nominees or otherwise through accounts held by and / or under the control the said  
Kenneth Taves at Euro Bank Corporation, knowing or suspecting that Kenneth Taves was  
a person who is or has been engaged in criminal conduct or has benefited from criminal  
conduct.

SIGNED : Robert Woods DS 43

SIGNED : Proffitt  
Justice of the Peace

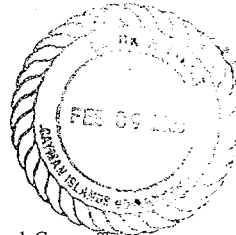
Received for action at \_\_\_\_ hours of the \_\_\_\_ noon the \_\_\_\_ day of \_\_\_\_ 20 \_\_\_\_

Chief Clerk :

Summons issued to appear at 10:15 hours in the for noon the 28<sup>th</sup> day of Feb 20 00

Chief Clerk : \_\_\_\_\_

Date: \_\_\_\_\_



979/00  
②

3332

THE CRIMINAL PROCEDURE CODE  
(Section 13)

CHARGE BY POLICE OFFICER

In the Summary Court of Grand Cayman

Ivan Richard Wykeham Burges of 13 Caribbean Paradise, South Sound, George Town, Grand Cayman, British West Indies



is charged with the following offence:

Conspiracy to assist another to retain the benefit of criminal conduct, contrary to Section 306 (f) of the Penal Code (1995 Revision).

PARTICULARS OF OFFENCE

IVAN RICHARD WYKEHAM BURGESS, BRIAN LESLIE PETER CUHNA, JUDITH MARY DONEGAN, MELVIN EDWIN TAVES, KENNETH TAVES, MARTIN DUGAN, S. GRETCHEN BUCK, MATTHEW REID and RAYMOND CREED, on divers days between the 24th day of July 1997 and 11<sup>th</sup> day of May 1999, conspired together with PHAETON CORPORATION, MEDIA BUYING SERVICES LIMITED, CHAMONIX INVESTMENTS LIMITED to enter into an arrangement whereby-

Money, shares and other negotiable instruments to the value of US\$25,350,000, under the retention, direction or control of Kenneth Taves, whether by himself or others, being the proceeds of criminal conduct, was concealed, removed from the jurisdiction, transferred to nominees or otherwise through accounts held by and / or under the control of the said Kenneth Taves at Euro Bank Corporation, knowing or suspecting that Kenneth Taves is a person who is or has been engaged in criminal conduct or has benefited from criminal conduct.

SIGNED: Robert Woods DS 43

SIGNED:   
Justice of the Peace

Received for action at \_\_\_\_ hours of the \_\_\_\_ noon the \_\_\_\_ day of \_\_\_\_ 20\_\_

Chief Clerk: \_\_\_\_\_

Summons issued to appear at 10<sup>th</sup> hours in the forenoon the 28<sup>th</sup> day of Feb 2000

Chief Clerk: \_\_\_\_\_

Date: \_\_\_\_\_

3333

THE CRIMINAL PROCEDURE CODE  
(Section 13)

CHARGE BY POLICE OFFICER

In the Summary Court of Grand Cayman

Brian Leslie Peter Cunha of Andrew Drive, Snug Harbour, Grand Cayman, British  
West Indies.

is charged with the following offences :

Money Laundering Contrary to Section 21(1) Proceeds of Criminal Conduct Law,  
1996 (1999 Revision)

PARTICULARS OF OFFENCE

Brian Leslie Peter Cunha on divers days between the 24<sup>th</sup> day of July 1997 and 11<sup>th</sup> day of  
May 1999 entered into an arrangement whereby-

Money, shares and other negotiable instruments to the value of US\$25,350,000, under the  
retention, direction or control of Kenneth Taves, whether by himself or others, being the  
proceeds of criminal conduct, was concealed, removed from the jurisdiction, transferred  
to nominees or otherwise through accounts held by and / or under the control the said  
Kenneth Taves at Euro Bank Corporation, knowing or suspecting that Kenneth Taves was  
a person who is or has been engaged in criminal conduct or has benefited from criminal  
conduct.

SIGNED : Robert Woods DS 43

SIGNED : [Signature]  
Justice of the Peace

Received for action at \_\_\_\_ hours of the \_\_\_\_ noon the \_\_\_\_ day of \_\_\_\_ 20\_\_

Chief Clerk : [Signature]  
~~Summons~~ issued to appear at \_\_\_\_ hours in the \_\_\_\_ noon the \_\_\_\_ day of \_\_\_\_ 20\_\_

Chief Clerk : \_\_\_\_\_

Date: \_\_\_\_\_



981/00  
①

3334

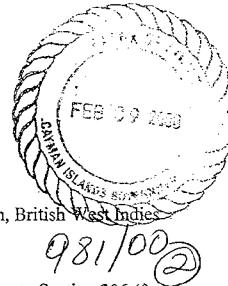
THE CRIMINAL PROCEDURE CODE  
(Section 13)

CHARGE BY POLICE OFFICER

In the Summary Court of Grand Cayman

**Brian Leslie Peter Cunha** of Andrew Drive, Snug Harbour, Grand Cayman, British West Indies  
is charged with the following offence:

Conspiracy to assist another to retain the benefit of criminal conduct, contrary to Section 306 (f)  
of the Penal Code (1995 Revision).



PARTICULARS OF OFFENCE

**IVAN RICHARD WYKEHAM BURGESS, BRIAN LESLIE PETER CUNHA, JUDITH MARY DONEGAN, MELVIN EDWIN TAVES, KENNETH TAVES, MARTIN DUGAN, S. GRETCHEN BUCK, MATTHEW REID and RAYMOND CREED**, on divers days between the 24th day of July 1997 and 11<sup>th</sup> day of May 1999, conspired together with **PHAETON CORPORATION, MEDIA BUYING SERVICES LIMITED, CHAMONIX INVESTMENTS LIMITED** to enter into an arrangement whereby-

Money, shares and other negotiable instruments to the value of US\$25,350,000, under the retention, direction or control of Kenneth Taves, whether by himself or others, being the proceeds of criminal conduct, was concealed, removed from the jurisdiction, transferred to nominees or otherwise through accounts held by and / or under the control of the said Kenneth Taves at Euro Bank Corporation, knowing or suspecting that Kenneth Taves is a person who is or has been engaged in criminal conduct or has benefited from criminal conduct.

SIGNED : Robert Woods DS 43

SIGNED : [Signature]  
Justice of the Peace

Received for action at \_\_\_\_ hours of the \_\_\_\_ noon the \_\_\_\_ day of \_\_\_\_ 20 \_\_\_\_

Chief Clerk : \_\_\_\_

Bail Summons issued to appear at \_\_\_\_ hours in the \_\_\_\_ noon the \_\_\_\_ day of \_\_\_\_ 20 \_\_\_\_

Chief Clerk : \_\_\_\_

Date: \_\_\_\_

3335

THE CRIMINAL PROCEDURE CODE  
(Section 13)

CHARGE BY POLICE OFFICER



In the Summary Court of Grand Cayman

895/00

Judith Mary Donegan of 4 Westward View Apartments, South Church Street, George Town, Grand Cayman, British West Indies.

is charged with the following offences :

Money Laundering Contrary to Section 21(1) Proceeds of Criminal Conduct Law, 1996 (1999 Revision)

PARTICULARS OF OFFENCE

JUDITH MARY DONEGAN on divers days between the 24<sup>th</sup> day of July 1997 and 11<sup>th</sup> day of May 1999 entered into an arrangement whereby-

Money, shares and other negotiable instruments to the value of US\$25,350,000, under the retention, direction or control of Kenneth Taves, whether by himself or others, being the proceeds of criminal conduct, was concealed, removed from the jurisdiction, transferred to nominees or otherwise through accounts held by and / or under the control the said Kenneth Taves at Euro Bank Corporation, knowing or suspecting that Kenneth Taves was a person who is or has been engaged in criminal conduct or has benefited from criminal conduct.

SIGNED : Robert Woods DS 43

SIGNED :   
Justice of the Peace

Received for action at \_\_\_\_\_ hours of the \_\_\_\_\_ noon the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_

Chief Clerk : \_\_\_\_\_  
*Custody* *2:30pm* *Apth* *8th*  
Summons issued to appear at \_\_\_\_\_ hours in the \_\_\_\_\_ noon the \_\_\_\_\_ day of *Feb.* 20*00*

Chief Clerk : \_\_\_\_\_

Date: \_\_\_\_\_

3336

THE CRIMINAL PROCEDURE CODE  
(Section 13)

CHARGE BY POLICE OFFICER

In the Summary Court of Grand Cayman

895/002



Judith Mary Donegan of 4 West Ward View Apartments, South Church Street, George Town,  
Grand Cayman, British West Indies

is charged with the following offence:


Conspiracy to assist another to retain the benefit of criminal conduct, contrary to Section 306 (f)  
of the Penal Code (1995 Revision).

PARTICULARS OF OFFENCE

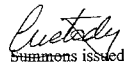
IVAN RICHARD WYKEHAM BURGESS, BRIAN LESLIE PETER CUHNA, JUDITH MARY  
DONEGAN, MELVIN EDWARD TAVES, KENNETH TAVES, MARTIN DUGAN, S.  
GRETCHEN BUCK, MATTHEW REID and RAYMOND CREED, on divers days between the  
24th day of July 1997 and 11<sup>th</sup> day of May 1999, conspired together with PHAETON  
CORPORATION, MEDIA BUYING SERVICES LIMITED, CHAMONIX INVESTMENTS  
LIMITED to enter into an arrangement whereby-

Money, shares and other negotiable instruments to the value of US\$25,350,000, under the  
retention, direction or control of Kenneth Taves, whether by himself or others, being the  
proceeds of criminal conduct, was concealed, removed from the jurisdiction, transferred  
to nominees or otherwise through accounts held by and / or under the control of the said  
Kenneth Taves at Euro Bank Corporation, knowing or suspecting that Kenneth Taves is a  
person who is or has been engaged in criminal conduct or has benefited from criminal  
conduct.

SIGNED:  Robert Woods DS 43

SIGNED:  A. Bodden  
Justice of the Peace

Received for action at \_\_\_\_ hours of the \_\_\_\_ noon the \_\_\_\_ day of \_\_\_\_ 20\_\_

Summons issued to appear at \_\_\_\_ hours in the \_\_\_\_ noon the \_\_\_\_ day of Feb. 2000  
Chief Clerk :  2:30 PM 8th

Chief Clerk : \_\_\_\_\_

Date: \_\_\_\_\_



THE CRIMINAL PROCEDURE CODE  
(Section 13)

CHARGE BY POLICE OFFICER

In the Summary Court of Grand Cayman

**Kenneth Taves** of Malibu, California, United States of America.

is charged with the following offence:

Conspiracy to assist another to retain the benefit of criminal conduct, contrary to Section 306 (f) of the Penal Code (1995 Revision).



PARTICULARS OF OFFENCE

IVAN RICHARD WYKEHAM BURGESS, BRIAN LESLIE PETER CUHNA, JUDITH MARY DONEGAN, MELVIN EDWARD TAVES, KENNETH TAVES, MARTIN DUGAN, S. GRETCHEN BUCK, MATTHEW REID and RAYMOND CREED, on divers days between the 24th day of July 1997 and 11<sup>th</sup> day of May 1999, conspired together with PHAETON CORPORATION, MEDIA BUYING SERVICES LIMITED, CHAMONIX INVESTMENTS LIMITED to enter into an arrangement whereby-

Money, shares and other negotiable instruments to the value of US\$25,350,000, under the retention, direction or control of Kenneth Taves, whether by himself or others, being the proceeds of criminal conduct, was concealed, removed from the jurisdiction, transferred to nominees or otherwise through accounts held by and / or under the control of the said Kenneth Taves at Euro Bank Corporation, knowing or suspecting that Kenneth Taves is a person who is or has been engaged in criminal conduct or has benefited from criminal conduct.

SIGNED : Chris Rowland DC 199

SIGNED : Chlorin  
Justice of the Peace

Received for action at \_\_\_\_ hours of the \_\_\_\_ noon the \_\_\_\_ day of \_\_\_\_ 20\_\_

Chief Clerk : \_\_\_\_\_

Summons issued to appear at 10<sup>th</sup> hours in the fore noon the 10<sup>th</sup> day of Feb 2000

Chief Clerk : \_\_\_\_\_

Date: \_\_\_\_\_

THE CRIMINAL PROCEDURE CODE  
(Section 13)

CHARGE BY POLICE OFFICER



In the Summary Court of Grand Cayman

**Kenneth Taves** of Malibu, California, United States of America.

is charged with the following offences :

**Money Laundering Contrary to Section 21(1) Proceeds of Criminal Conduct Law, 1996 (1999 Revision)**

PARTICULARS OF OFFENCE

Kenneth Taves on divers days between the 24<sup>th</sup> day of July 1997 and 11<sup>th</sup> day of May 1999 entered into an arrangement whereby-

Money, shares and other negotiable instruments to the value of US\$25,350,000, under the retention, direction or control of Kenneth Taves, whether by himself or others, being the proceeds of criminal conduct, was concealed, removed from the jurisdiction, transferred to nominees or otherwise through accounts held by and / or under the control the said Kenneth Taves at Euro Bank Corporation, knowing or suspecting that Kenneth Taves was a person who is or has been engaged in criminal conduct or has benefited from criminal conduct.

*Chris Rowland*

SIGNED : Chris Rowland DC 199

*Clotun*

SIGNED : Justice of the Peace

Received for action at \_\_\_\_\_ hours of the \_\_\_\_\_ noon the \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_

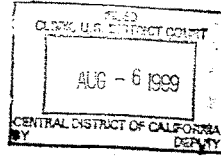
Chief Clerk : \_\_\_\_\_

Summons issued to appear at \_\_\_\_\_ hours in the \_\_\_\_\_ noon the \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_

Chief Clerk : \_\_\_\_\_

Date: \_\_\_\_\_

1 GARY OWEN CARIS (State Bar No. 088918)  
 2 GILLIAN E. FRIEDMAN (State Bar No. 169207)  
 3 FRANDZEL SHARE ROBINS & BLOOM, L.C.  
 6500 Wilshire Boulevard  
 17th Floor  
 Los Angeles, California 90048-4920  
 Telephone: (323) 852-1000  
 Facsimile: (323) 651-2577  
 Attorneys for Receiver, ROBB EVANS AND  
 ROBB EVANS & ASSOCIATES



UNITED STATES DISTRICT COURT  
 CENTRAL DISTRICT OF CALIFORNIA, WEST DIVISION

11	FEDERAL TRADE COMMISSION,	)	CASE NO. CV 99-00044 ABC
12	Plaintiff,	)	(AJWx)
13	vs.	)	REPORT OF RECEIVER'S
14	J.K. PUBLICATIONS, INC., etc.,	)	ACTIVITIES DATED AUGUST 4,
15	et al.,	)	1999
16	Defendants.	)	[No Hearing Assigned]

1 REPORT OF RECEIVER'S ACTIVITIES DATED AUGUST 4, 1999

2  
3 Attached hereto is the Report of Receiver's Activities dated  
4 August 4, 1999 ("Report"). A motion will be filed shortly to  
5 approve the Report and to seek an expansion of the Receiver's  
6 powers under the Order of Preliminary Injunction entered March  
7 16, 1999 in light of the information contained in the Report.  
8

9 Dated: August 5, 1999

FRANZEL SHARE ROBINS  
& BLOOM, L.C.  
GARY OWEN CARIS  
GILLIAN E. FRIEDMAN

10  
11  
12 By: 

GARY OWEN CARIS  
Attorneys for Receiver ROBB  
EVANS and ROBB EVANS &  
ASSOCIATES

ROBB EVANS  
ROBB EVANS & ASSOCIATES  
Receiver of J.K. Publications, Inc., et al.

REPORT OF RECEIVER'S ACTIVITIES  
DATED AUGUST 4, 1999

This report summarizes major activities since my last full report for the period ending March 26, 1999, excluding the information included in my Special Report dated April 29, 1999.

Offshore Assets

Pursuant to my duties as Receiver over J.K. Publications, Inc., MJD Service Corp., TAL Services, Inc., and their affiliates and subsidiaries, and as Receiver over the assets of Kenneth Taves and Teresa Taves, I have continued the investigation regarding potential assets of the receivership defendants located offshore, including assets of the receivership defendants located in the Cayman Islands.

In my Special Report dated April 29, 1999, I alerted the Court about accounts in the name of Ken and Teresa Taves held at Euro Bank Corporation (Euro Bank) in the Cayman Islands. Subsequent to Euro Bank bringing an action in the nature of an interpleader with respect to these accounts, the bank was closed on May 11th by order of the Governor-in-Council upon the recommendation of the Cayman Monetary Authority. Controllers (the U.S. equivalent of a Receiver) were appointed over the affairs of Euro Bank. All deposit accounts at Euro Bank were ordered frozen for a period of thirty days.

Since my Special Report dated April 29, 1999, my Cayman counsel continued to negotiate with Euro Bank's counsel and Ken Taves' Cayman counsel in an attempt to agree to a stipulated order to be filed with the Grand Court providing for release of approximately \$6.2 million. During the week of June 7th it became clear an agreement could not be reached because Mr. Taves' counsel had not received direction from Mr. Taves regarding the form of the Order. Since then Mr. Taves has signed other directions, which have been made moot by the following described events.

On June 16th, Euro Bank was placed into voluntary liquidation. Mr. Ian Wight and

Mr. Michael Pilling of Deloitte and Touche were appointed as the Liquidators. It is not clear at this time if the liquidation is fully solvent and if depositors will receive 100 cents on the dollar. Nevertheless, there is no reason to believe a substantial recovery will not be forthcoming, although the timing of that recovery is uncertain.

Since the bank was placed into liquidation, I have been negotiating with the Liquidators to attempt to access bank account information on behalf of the receivership defendants. The public policy in Grand Cayman, as established by the Courts, has traditionally allowed the local banks to successfully resist efforts by foreign entities in civil actions to access bank records. However, the circumstances surrounding the closure of Euro Bank presented a unique window of opportunity. On July 27th, we executed an agreement with the Liquidators to allow me full access to all of the underlying bank records of the accounts that the Liquidators had linked to Ken Taves (Tab 1). On July 29th, the Chief Justice of the Grand Court approved that agreement. I have since reviewed and preliminarily analyzed all of the records provided by the Liquidators. Additional records will be provided to me over the next few weeks. The comments that follow are, in part, based on the results of that review and interviews with the Euro Bank liquidators.

As detailed below, Ken Taves and other receivership defendants were in possession and control of large amounts of money that were not disclosed to the Court as required by the Temporary Restraining Order and the Preliminary Injunction.

#### Initial Transfer of \$25.3 Million to Euro Bank

Beginning in mid-1997 and continuing until November 1998 about \$25.3 million was transferred from the receivership defendants to accounts at Euro Bank. (Where practical to do so, the amounts described in this Report are rounded off to the nearest \$100,000.) These funds were sent by four entities: the receivership defendants MJD Service Corp., Discreet Bill, Inc. and JK Publications, Inc., and by Multi Media West. All of the funds sent to Euro Bank by these four entities were deposited in one of two accounts: an account in the name of Media Buying Service or an account in the name of Phaeton Corporation. The funds were then disbursed to other accounts in Euro Bank that were owned or controlled by Ken Taves, or were invested back in the United States or other jurisdictions.

#### Funds Transferred Through Multi Media West to Euro Bank

As detailed in my First Report to the Court, J.K. Publications issued checks and wire

transfers totaling \$12.8 million to Multi Media West between June 1997 and September 1998. In turn, Multi Media West issued checks to Media Buying Service and Phaeton Corporation totaling \$10.9 million, whose accounts were maintained at Euro Bank. Checks from Multi Media West and payable to Media Buying Service and Phaeton Corporation during that time period totaled \$8.6 million and \$2.3 million, respectively. Checks from Multi Media West for other expenses authorized and approved by Ken Taves, including checks to Net Power, attorney Brad Brunon, and a limousine company, totaled \$1.7 million.

The president of Multi Media West is Michael Kenner. During his July 13, 1999 deposition, Mr. Kenner testified that Multi Media West was a brokerage media company, providing promotional advertising services. However, Kenner testified that Ken Taves approached him about providing a service wholly distinct from Kenner's usual business, in an effort to help Kenner recoup losses Kenner suffered on a previous business investment with Taves and a previous loan to Taves.

Mr. Kenner testified that Ken Taves asked him to provide a service whereby Multi Media West would pay invoices owed by J.K. Publications or Netfill and approved for payment by Taves. These invoices would be submitted to Multi Media West directly by Ken Taves or would be received by Multi Media West from third parties, including invoices from Media Buying Service (whose address was the same as Euro Bank in Grand Cayman), Phaeton Corporation, Net Power, Brad Brunon, a limousine company, and others. Multi Media West only would remit payment on these invoices once funds were received from Ken Taves. At Taves' request and instruction, Multi Media West would invoice J.K. Publications for these payments, designating the invoice for "media purchases", even though no such services (or any promotional services) were provided by Multi Media West. Multi Media West was to receive one and one-half percent of the gross amount of the invoices paid by Multi Media West on behalf of J.K. Publications and Netfill, which apparently accounts for the approximate \$200,000 difference between payments from J.K. Publications to Multi Media West and payments from Multi Media West to Media Buying Service, Phaeton Corporation and third parties.

#### Funds Transferred Directly from the Receivership Defendants to Euro Bank

In addition to \$10.9 million being routed to Euro Bank from Multi Media West, the receivership defendants directly transferred \$14.4 million to Euro Bank: \$10.1 million was transferred by MJD Service Corp., \$4.1 million was transferred by Discreet Bill, Inc. and \$225,000 was transferred by J.K. Publications.

Initial Transferee of \$18.9 Million: Media Buying Service

Of \$25.3 million transferred to Euro Bank, \$18.9 was deposited in the Media Buying Service account and the balance was deposited in the Phaeton Corporation account. Bank records show Ken Taves as the sole director, chairman, and president of Media Buying Service (Tab 2). On September 25, 1997, Ken Taves directed the Bank to transfer all funds coming into Media Buying Service to his personal account (Tab 2).

Media Buying Service transferred \$13 million to Ken Taves' accounts at Euro Bank and Barclays Bank. Media Buying Service also transferred \$4.1 million to investment accounts in Morgan Stanley Dean Witter and Royal Bank of Canada.

Media Buying Service also transferred \$100,000 to European Bank Ltd. in the nation of Vanuatu (previously New Hebrides) for credit to the account of Benford Ltd.

In addition, Media Buying Service transferred about \$500,000 to an account in the name of Global International Media Foundation at Landesbank, in Liechtenstein.

In addition, by memorandum dated February 6, 1999, Ken Taves instructed Ivan Burges, Senior Account Manager at Euro Bank, to appoint Judi Donegan, Trust Officer at Euro Bank, as president of Media Buying Service and to "transfer the share holding" to her. He further wrote: "This company is being transferred free of charge." (Tab 2).

Initial Transferee of \$6.4 Million: Phaeton Corporation

Melvin and Colleen Taves are the signatories on this account, however, the account was effectively owned and operated by Ken Taves. Generally, 1.5% of the incoming funds to Phaeton would be retained in the account and the balance transferred to other accounts. The bank's files contain transfer instructions signed by Melvin Taves that specifically refer to instructions given to him by Ken Taves (Tab 3). Also, under Tab 3 is a letter Melvin Taves wrote to the Euro Bank Liquidators on June 1, 1999, stating "... I was kept in the dark as much as Euro Bank was. I would like very much to separate my assets from Phaeton Corporation..." On October 6, 1997, Ken Taves directed the transfer of \$200,000 from Phaeton to his personal account (Tab 3). Again, on August 27, 1998, Ken Taves sent an e-mail to Euro Bank giving direct instructions over this account (Tab 3).



Other Key Accounts

The following is a brief description of other key accounts controlled by Ken Taves or his nominees at Euro Bank:

Gretchen Buck/Mathew Reid

This account was opened in August 1997. All of the funds deposited into the account originated from accounts owned or controlled by Ken Taves. Ken Taves ordered that \$500.00 be transferred from S. Jared Properties to open the account. The account had no activity until January 1999 when \$10,000 was transferred from Chamonix (see below). On February 15, 1999, Euro Bank officer Ivan Burges wrote to Lee Sacks, enclosing a MasterCard application form to set up this account (Tab 4). A few days later, \$80,000 originating from Ken Taves' account was transferred to the MasterCard account. (It is important to note that deposits secure all Euro Bank MasterCard accounts, therefore, a MasterCard account is more in the nature of a checking account.)

On March 11th, \$2,542,364 was deposited into the account. The source of funds for this transaction was Ken Taves' account at Barclays Bank in Grand Cayman (Tab 4). Media Buying Service also transferred \$430,000 into the account. Additional deposits of \$679,000 were made from Ken Taves' Global Connection account at Cayman National Bank.

On March 15, 1999, Gretchen Buck issued instructions to the bank to transfer the bulk of the funds in the account, \$3.5 million, to an account at European Bank in Vanuatu in the name of Benford Ltd. (Tab 4).

On April 19, 1999, a check for \$10,000 was issued from the MasterCard account to Truman Bodden & Co., the Cayman counsel representing Ken Taves at the time.

Chamonix Investments Ltd.

The legal owner of this account is Raymond Creed. The account was opened in August 1998. While Raymond Creed has no other account at Euro Bank, the "bank references" section of the new company incorporation form in the files states "EB already has references on file", and that the company's business is to be "processing fees from internet sales" (Tab 5). All of the funds deposited into

the account originated from accounts owned or controlled by Ken Taves and the account was effectively owned and operated by him.

On November 13, 1998, Ken Taves issued instructions directing the Bank to transfer \$2.0 million from Chamonix to his account at Barclays Bank (Tab 5). On January 18, 1999, a file note from Judi Donegan referencing Ken and Teresa Taves' account and the Chamonix account memorializes a conversation with Ken Taves and Lee Sacks that day directing Euro Bank to begin liquidating investments at Morgan Stanley Dean Witter (Tab 5). In a facsimile transmission that same day, Burges directed Wayne Ribnik at Morgan Stanley Dean Witter to "liquidate \$500,000 worth of assets from the above account" (which referenced the Morgan Stanley Dean Witter account number as well as Ken and Teresa Taves' Euro Bank account number) on a weekly basis, for credit to Chamonix's account at Euro Bank (Tab 5). In a letter dated March 30, 1999, Raymond Creed issued instructions to Euro Bank to transfer the balance of funds in the account, \$3.8 million, to the Benford Ltd. account at European Bank (Tab 5).

Application for Restraint Order Brought by Royal Cayman Island Police Department

On June 9th, the Royal Cayman Island Police Department filed an Application for Restraint Order against certain accounts at Euro Bank, Cayman National Bank, and Bank of Nova Scotia. The Application deals only with accounts owned controlled, or linked to Ken Taves. The accounts listed in the Application are:

Ken and Teresa Taves	Euro Bank Corp.
Media Buying Service (owned by Ken Taves)	Euro Bank Corp.
Chamonix (controlled by Ken Taves)	Euro Bank Corp.
S. Jared Properties (owned by Ken Taves)	Euro Bank Corp.
S. Gretchen Buck/Mathew Reid (linked to Ken Taves)	Euro Bank Corp.
Barnard Ltd. (linked to Ken Taves)	Euro Bank Corp.
Phaeton Corporation (controlled by Ken Taves)	Euro Bank Corp.
Martin Duggan (linked to Ken Taves)	Euro Bank Corp.
Rob Rappaport (linked to Ken Taves)	Euro Bank Corp.
David Goldfarb & Bill Parodi (linked to Ken Taves)	Euro Bank Corp.
Dr. Melvin Taves	Euro Bank Corp.
Adam Spencer Joffe (linked to Ken Taves)	Euro Bank Corp.
Dr. Melvin Taves & Mrs. Colleen Taves	Cayman National Bank
Raymond Creed (linked to Ken Taves)	Bank of Nova Scotia

Also, real properties located in the Cayman Islands in the names of S. Jared Properties, Phaeton Corporation, Melvin and Colleen Taves, and Raymond Creed, were named in the Application. • S. Jared Properties is a corporation in which Ken Taves is a 50% owner.

As to the individuals and entities listed above, Martin Duggan was a vice president of MJD Service Corp. An investigation is underway to determine if Rob Rappaport and Dennis Rappaport are the same individual. Robert Rappaport was the seller of the property at 6837 Zumirez Drive, the subject of the Court's first contempt order ("Zumirez Property"). David Goldfarb is the Chief Operating Officer of Automated Transaction Services (ATS), the company that processed credit card charges for the receivership defendants. Bill Parodi is the President of ATS. Adam Spencer Joffe performed computer services for the receivership defendants. Raymond Creed, through his company Trans Global Development Ltd. (named as Trans Global Development Corporation on the Quit Claim Deed), obtained title to the Zumirez Property. I will also be pursuing recovery of the funds that remain in the names of these individuals.

Subsequent to the closure of Euro Bank, the Royal Cayman Island Police Department has arrested two former bank officers on suspicion of aiding in a money-laundering scheme involving Ken Taves and perhaps others.

Ivan Burges and Judi Donegan primarily managed the Euro Bank accounts associated with Ken Taves. Tab 6 contains a memorandum from Ken Taves dated October 10, 1997 that authorizes the use of his beach house by Ms. Donegan. Also at Tab 6 is a check payable to Ms. Donegan's account at the Bank of Butterfield. Documents in the Euro Bank files show that Ken Taves was paying Ms. Donegan \$4,000 per month into her bank account at Bank of Butterfield in Grand Cayman.

#### Summary of Activity

Tab 7 contains a flow chart summarizing: (a) money originating from the receivership defendants into Euro Bank; (b) money transferred between accounts controlled by Ken Taves; and (c) money transferred out of Euro Bank from accounts controlled by Ken Taves. Tab 7 also contains a compilation of account statements maintained by Euro Bank that details specific amounts transferred to Euro Bank by the receivership defendants (directly and through Multi Media West) and further details the movement of those funds after initial receipt by Euro Bank into the Media Buying Service and Phaeton Corporation accounts.

We are currently initiating actions to freeze and recover funds from the accounts in

Vanuatu, Liechtenstein, and other jurisdictions. Concurrently, I have instructed Cayman counsel to initiate actions that will cause the turnover of newly discovered bank account balances and associated bank records.

#### Ongoing Concealment and Transfer of Assets

As highlighted above, I remain concerned that Mr. Taves consistently and flagrantly continued to conceal his assets and to manipulate his hidden assets well after the date of the asset freeze. For example, in addition to many of the actions taken by Ken Taves after service of the Temporary Restraining Order, as described above, Tab 8 contains a January 26, 1999 facsimile from Judi Donegan to Brad Brunon and Ken Taves responding to a request for the net asset value of the Euro Bank securities account. It is clear that Ken Taves had full knowledge of his investment portfolio and of the accounts he legally or beneficially owned or controlled.

Aside from assets previously unreported which he did not disclose and which are the subject of the Court's prior contempt orders, Mr. Taves did not disclose the additional following assets which are owned by him directly or beneficially:

- The Chamonix account at Euro Bank
- The Gretchen Buck/Mathew Reid account at Euro Bank
- The account at Barclays Bank
- The account at Cayman National Bank
- The investment account at Royal Bank of Canada
- The investment account through Euro Bank at Morgan Stanley Dean Witter
- An investment account through Euro Bank at the Bank of America
- An investment account through Euro Bank for securities located in the Bahamas
- An investment account through Euro Bank for securities located in Germany
- The Global International Media Foundation account in Liechtenstein
- The Benford Ltd. account in Vanuatu

According to Euro Bank records, the account at Cayman National Bank should have a balance of about \$320,000 and the account at Barclays Bank should have a balance of \$2.5 million. However, the Restraint Order obtained by the Royal Cayman Island Police Department did not include accounts at either bank. The Restraint Order did include Raymond Creed's account at Bank of Nova Scotia and Melvin Taves' account at Cayman National Bank. I am confident that my efforts over the next several weeks will produce documents that will trace the source of funds in these accounts.

In addition to undisclosed assets, numerous payments have been made from Ken Taves'

accounts subsequent to the asset freeze. A total of about 60 payments have been made from accounts owned or controlled by Ken Taves. These payments include those originating from Ken Taves' MasterCard account. Between September 1997 and March 1999, Ken and Teresa Taves spent about \$300,000 from the MasterCard account.

Of particular concern are those payments made to Ken Taves' domestic counsel, which appear to be contrary to representations made by his prior counsel to this Court. As can be seen from the schedule under Tab 9, the law firm of Sacks & Zweig has received about \$35,000 and the law firm of Fried, Frank has received \$175,000. On February 2, 1999, Ken Taves personally directed that \$75,000 be wired to Fried Frank (Tab 9). We assume these funds were for legal fees and in addition to those authorized by this Court.

Of equal concern is Mr. Sacks' apparent role in the operation of the Ken Taves' accounts after the asset freeze. Documents from the Euro Bank files show Mr. Sacks authorized the transfer of funds to his firm and to the Fried Frank firm (Tab 9), received information from Ivan Burges about establishing an account in Vanuatu (Tab 10), and discussed the liquidation of assets in the United States in the Morgan Stanley Dean Witter account (Tab 5).

Since my appointment as Receiver, we have discovered approximately \$22 million in undisclosed assets owned, beneficially owned, or linked to Ken Taves. Previously we identified and reported the Zumirez Property with a value of at least \$2.4 million and the accounts in Euro Bank then valued at \$6.2 million. With this Report, we have identified additional cash and investments in multiple jurisdictions totaling about \$13.4 million.

As described above, I have initiated actions to effectuate recovery of all funds and property located to date.

#### The Zumirez Drive Property

Tab 11 contains a wire transfer from Ken Taves' personal account at Euro Bank to Sacks & Zweig in the amount of \$2,500,000 for the purchase of the Zumirez Property (the actual wire transfer was \$2,501,592). This would indicate the purchaser of the property was Ken Taves, not Melvin Taves in the name of his family partnership.

Under Tab 11 is a facsimile cover sheet from Judi Donegan to Brad Brunon referencing an attached Trust Agreement. The first page of that Trust Agreement is also under Tab 11. The Agreement, signed by Ken and Teresa Taves on August 12, 1998, lists the

address of 6837 Zumirez Drive. Ken and Teresa Taves were using the Zumirez Property address even before close of escrow.

Also, under Tab 11 is an e-mail from Ken Taves to Judi Donegan at Euro Bank alerting Ms. Donegan to accept his verbal instructions to transfer \$626,653.00 to Rob Rappaport's account at Euro Bank. As noted above, Robert Rappaport was the seller of the Zumirez Property. This e-mail was in response to an e-mail sent to Ken Taves by Judi Donegan referencing a conversation with Lee Sacks about the amount due Mr. Rappaport, at the exact time the escrow on the property was closing. This would indicate that the Zumirez Property sold for about \$3 million, not the reported \$2.4 million, and brings the subsequent quitclaim deed to Trans Global Development, Ltd. (Raymond Creed) into greater question.

#### Ken Taves' Relationship with Raymond Creed

Ken Taves stated in his declaration dated April 5, 1999 that he never had a business relationship with Mr. Creed or Trans Global Development Corp. and that the transaction between Trans Global and Satmax was arms length and had nothing to do with him. The Euro Bank records clearly show that Mr. Creed and Ken Taves did have an extensive relationship. Additionally, under Tab 12 are photocopies of three checks issued in 1996 to Mr. Creed by Netfill. (Mr. Creed also owns a home adjacent to Ken Taves' home in Grand Cayman.)

#### Loans to Third Parties

The receivership entities, through Ken Taves, made loans to individuals and corporations. A \$1.0 million loan was made in April 1998 to Paradigm Communications Corporation DBA Global Communications Network. The purpose of this loan was apparently to open a telecommunications operation of some type in Mexico. One of my staff, Kenton Johnson, met with the President of Paradigm who readily acknowledged the loan. The company has since been placed into an involuntary Chapter 11 bankruptcy proceeding which is pending in this District before Bankruptcy Judge Robles. At this time, prospects of collecting this loan are dim but we continue to investigate the circumstances of the loan.

I am continuing to investigate loans to others and will report the results to the Court upon completion of the investigations.

Preliminary Discussions with the Merchant Banks

Negotiations intended to lead to a partial settlement of key issues regarding both Heartland Bank and Charter Pacific Bank have been conducted. A stipulated settlement with Charter Pacific Bank is expected to be filed near the time of the filing of this Report. That filing and the response by me to the Heartland Bank motion will provide additional information for the Court.

Preliminary Accounting of Gross Profit

In my first report to the Court dated February 7, 1999, I reported that a review of the receivership entities' records indicated that as much as \$23 million was withdrawn from the accounts of the receivership entities and was transferred through different entities and several accounts, to accounts of offshore corporations.

In the Defendants' Supplemental Memorandum in Opposition to Application for Preliminary Injunction and Request for an Appointment of a Permanent Receiver, the defendants state the bulk of their business was processing transactions for third parties located outside of the United States and that the defendants paid third parties 78-85% of the gross income from credit card transactions. The defendants further stated that this translates to approximately \$35-40 million. The defendants claimed that this processing was a low profit, low margin business, which resulted in small commission of 15-22%, after deducting reserves and the ATS fees, for a gross profit margin of 2%-9%.

The correct calculation of the margin is gross sales less bank reserves, chargebacks and associated fees, credits, Visa/MasterCard discounts, special charges and ATS fees. The funds or uses of funds by the receivership defendants that I have discovered to date do not appear to support the receivership defendants' stated nature of the business or their stated profit margin. The table below lists assets identified to date:

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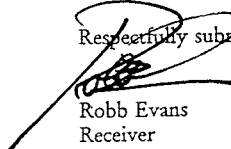
Corporate Accounts	\$1,500,000
Investment in Malibu property	2,400,000
Ken & Teresa Taves' Euro Bank accounts	8,200,000
Cayman National deposits	300,000
Taves' Morgan Stanley Dean Witter account	2,100,000
Euro Bank Morgan Stanley Dean Witter account	100,000
Vanuatu account	7,500,000
Barclays Bank account	2,500,000
Liechtenstein account	500,000
Paradigm loan	<u>1,000,000</u>
Total	\$26,100,000

The calculation below is derived from the receivership defendants' calculation with adjustments for additional entries to compute a gross profit, before ordinary business expenses:

1998 gross sales	\$49,400,000
Less reserves	4,000,000
Less charge backs and credits	5,600,000
Less charge back associated fees	2,600,000
Less Visa/MasterCard discount	2,500,000
Less special charges	1,600,000
Less payments to ATS	<u>2,500,000</u>
Total	\$30,600,000

A 9% margin on 1998 net sales of \$30.6 million would be \$2.8 million. The funds accounted for so far represent a gross profit margin of 85%. Even including all gross sales of \$4.2 million for the period from June 1997 through December 1997 to the \$30.6 million figure, without any deduction for fees or charges, the funds accounted for so far represent a gross profit margin of 75%.

Respectfully submitted,

  
Robb Evans  
Receiver



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28.07.99

GRAND CAYMAN  
CAYMAN ISLANDS

CAYMAN ISLANDS  
GOVERNMENT  
STAMP  
#025

DEED OF COMPROMISE, RELEASE, ACCORD AND SATISFACTION

THIS DEED, is made the 26<sup>th</sup> day of July, 1999 BETWEEN the several persons and companies whose names and seals are subscribed and affixed in the schedule hereto (hereinafter called the "Claimants") AND Euro Bank Corporation (in Liquidation) and its subsidiaries, namely Euro Nominees Ltd., Euro Securities Ltd. and Euro Secretaries Ltd., the registered offices of which are at PO Box 1787 GT, George Town, Grand Cayman (hereinafter called the "Bank")

WHEREAS:

1. The Bank was placed in liquidation under the supervision of the Grand Court of the Cayman Islands on 16<sup>th</sup> June, 1999.
2. The Claimants are under the receivership of Robb Evans and Robb Evans & Associates who were appointed as Receiver by the United States District Court for the Central District of California, Western Division on the 15<sup>th</sup> March, 1999.
3. The Receiver was appointed on the application of the United States Federal Trade Commission on grounds that since approximately January 1998 the parties listed as numbered 1, 2, 3, 5, 6, 9, 10, 11 and 12 in the schedule hereto together with another or others charged and debited the credit or debit card accounts of third parties without authorisation. The Claimants now allege that since January 1997 substantial funds thereby obtained were routed through accounts held at the Bank and claim to be entitled to trace the said funds and to pursue other remedies in relation to the funds or as against the recipients thereof (the "Remedies").
4. For the purposes of this Deed the Funds shall mean any funds transferred from the Claimants after January 1997 which have been routed through the Bank.
5. The Claimants also allege that they may have claims against the Bank personally on the basis that its officers or employees have acted improperly and that the Bank may be a

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## Deed of Compromise, Release, Accord and Satisfaction

Page 2

constructive trustee or have some other personal liability in relation to the Funds by reason of their conduct. The Bank has not admitted such allegations.

6. It has been agreed between the Claimants and the Bank that in full and final satisfaction of all claims or demands which the Claimants have or may have against the Bank in respect of any damage, liability, loss, cost or expense relating to the Funds, that the Bank shall provide to the Claimants information and documents in the Bank's possession relating to dealings with the Funds or the proceeds of the Funds for the purpose of assisting the Claimants to pursue the Remedies against third parties.
7. For the avoidance of doubt, this Agreement is without prejudice to any claim to be entitled to the Funds, proceeds of Funds or any interest thereon which the Claimants may make whether by proving in the liquidation of the Bank or otherwise by pursuing claims against third parties.

## NOW THIS DEED WITNESSES as follows:

1. The said Agreement is conditional upon the Bank by its Liquidators obtaining approval of it by the Grand Court of the Cayman Islands pursuant to the supervision of the winding up by the Court and, if required by the Court, to authorisation pursuant to the Confidential Relationships (Preservation) Law (1995 Revision).
2. In pursuance of the said Agreement which is in full and final satisfaction of all claims and demands as aforesaid and in consideration of the matters set out in paragraph 3 below, the Claimants hereby release and discharge the Bank from all actions, proceedings, claims and demands whatsoever which the Claimants now have or at any time hereafter may have and but for the execution of this deed could or might have had against the Bank for and in respect of the matters set out in paragraph 3 of the recital hereto or for and in respect of any matter or thing in any way relating thereto.

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Deed of Compromise, Release, Accord and Satisfaction

Page 3

## 3. The Bank agrees as soon as reasonably practicable:

- a) to provide all information and documents in its possession or control relating to the receipt, transfer of or other dealings with the Funds or in the proceeds of Funds to or from or in any account held by the Bank (including but not limited to all debit vouchers, transfer applications and instructions and internal memoranda relating to such transfers or dealings); and
- b) to provide such information and documents in their possession and control as may be reasonably necessary to allow the Claimants to ascertain the identities of the persons who control or are beneficially interested in such accounts; provided, however, that the Bank shall have no obligation to provide such information or documents in respect of Third Party Intermediaries' accounts. Third Party Intermediaries shall for this purpose include banks, brokers, corporate trustees and financial institutions.
- c) to cooperate with and assist the Claimants by explaining the said information and documents and, if requested by the Claimants and subject to reimbursement of travel costs and expenses, to give formal evidence of authenticity of documents in proceedings relating to the Remedies.

For the avoidance of doubt, the information and documents shall also relate to any of the Funds paid into an account in the Bank through the accounts of persons or entities other than the Claimants (including Multi Media West Inc.) upon the Claimants satisfying the Liquidators of the Bank upon reasonable evidence that the payments made by such entities represent the Funds or the proceeds of the Funds.

## 4. This deed shall be governed by Cayman Islands law and the parties hereby submit to the non exclusive jurisdiction of the Courts of the Cayman Islands.

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Deed of Compromise, Release, Accord and Satisfaction

Page 4

Signed as a deed and delivered by Robb Evans  
& Associates as Receiver of the Claimants in  
the presence of

) Robb Evans  
)  
)

Witness signature

[Signature]

Name in capitals

ANITA JEN

Address

11450 SHELDON ST  
SUN VALLEY, CA 91352

Executed as a deed and delivered by the said  
Euro Bank Corporation (in Liquidation) by  
affixing its common seal in the presence of

) [Signature]  
)  
)  
MICHAEL W. PILLING, JOINT LIQUIDATOR  
OF EURO BANK CORPORATION

[Signature]  
Authorized signatory WITNESS.

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## Deed of Compromise, Release, Accord and Satisfaction

Page 5

## SCHEDULE

1. J.K. Publications Inc.;
2. MJD Services Corp.;
3. Billing On Line;
4. Coastal Holding Ltd.;
5. Discreet Bill, Inc.;
6. Fun On Line;
7. Herbal Care, Inc.;
8. KULM Consulting Group, Inc.;
9. Online Billing;
10. TAL Services, Inc.  
and their subsidiaries under Receivership
11. Kenneth Taves
12. Teresa Taves

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81/18/1999 11:06 318-4...-8889

SACKS AND ZHE... APC

PAGE 81

Euro Bank Corporation  
George Town  
Grand Cayman

18 January 1999

Dear Sirs:

Please take this as your instruction to prepare a local cheque for US\$4,000 on the first of each month, as follows:

Bank of Butterfield A/c 01201019376

*until further written notice.*  
This cheque should be hand carried over to Bank of Butterfield for deposit no later than the 1st of each month. Funds should be drawn from A/c #33174.

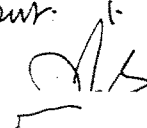
Your authority for this action is by J. Cricket.

Yours faithfully,



Ken Taves

*Discussed with K. Taves agreed  
last payment 1st March 99.*



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EURO BANK CORPORATION  
P.O. BOX 1799  
GRAND CAYMAN

DATE JANUARY 28th, 1999

PAY TO THE ORDER OF \*\*\*\*\* BANK OF BUTTERFIELD A/C #01231019376\*\*\*\*\* \$ 4,000.00\*\*\*\*\*  
4,000 US\$

ROYAL BANK OF CANADA  
CAYMAN ISLANDS  
PO BOX 1000

FOR

COLLECTION ITEM ONLY  
NOT PAYABLE ON CONTINENTAL U.S.A.

US FUNDS

06975 03 20333304

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EURO BANK CORPORATION  
GRAND CAYMAN, BRITISH WEST INDIES

Account: 33169 MCD  
Name: TAVES.  
Visit/Telephone:  
Date: 1/3/99.

Cayman

US\$4000 =.

for Bank of Butterfield

ATC 01201019376.

SETTLED

DATE 2/3/99

INITIALS

Signature: 

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TO WHOM IT MAY CONCERN + Roy Johnson

I, Ken Taves, authorize and agree that Judi Donagan may obtain the key for my property Ho Hum, at Hum Point, Grand Cayman for the purposes of spending a few leisurely hours there from time to time.

  
KEN TAVES

10 October 1997

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Fax: 345-749-6232 <sup>EXHIBIT C-213</sup> ~~EXHIBIT C-213~~

Feb 6, 99

Media Buying Service  
Tel.  
33174

Dear Irv:

Further to our discussions last  
week, Please advise Irv. Dwyer  
is President of MBS and  
please transfer the  
share holding to Irv. Dwyer  
and confirm that there are no

OUTSTANDING LIABILITIES  
or Creditors  
to the Company!

The Company is being TRANSFERRED  
free of charge!

Sincerely,

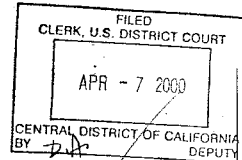
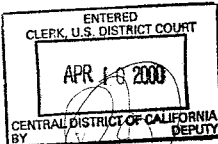
*[Signature]*

Master Media  
Judith Dwyer  
President  
~~Director~~ Shareholder  
etc.  
Reg. Office  
P.O. Box 2265 CT  
No 20 Palm Springs  
Swimchuck Street  
Gagetown

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THIS CONSTITUTES NOTICE OF ENTRY  
AS REQUIRED BY FRCP, RULE 77(d).

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UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

FEDERAL TRADE COMMISSION,  
Plaintiffs  
vs.  
J.K. PUBLICATIONS, INC., et  
al.,  
Defendants.

CASE NO.: CV 99-0044 ABC (AJWx)  
ORDER RE: (1) PLAINTIFF'S MOTION  
FOR SUMMARY JUDGMENT  
AND (2) DEFENDANT  
MAURICE O'BANNON'S  
MOTION FOR SUMMARY  
JUDGMENT

☒ Docketed  
☒ Copies / NTC Sent  
☒ JS - 5 / JS - 6  
☒ JS - 2 / JS - 3  
☒ CLSD

Plaintiff Federal Trade Commission's ("FTC") Motion for Summary  
Judgment (the "Motion") and Defendant Maurice O'Bannon's ("O'Bannon")  
Motion for Summary Judgment (the "O'Bannon Motion") came on regularly  
for hearing before this Court on April 3, 2000. After considering the  
materials submitted by the parties, argument of counsel, and the case  
file, it is hereby ORDERED that: (1) the FTC's Motion is GRANTED, in  
part, on the issue of liability as to defendants J.K. Publications,  
Inc. ("JKP"), Herbal Care, Inc. ("Herbal Care"), MJD Services Corp.  
("MJD"), Kenneth H. Taves ("Ken Taves"), and Teresa Callei Taves  
("Teresa Taves"); (2) the FTC's Motion is DENIED, in part, on the

APR 13 2000

1 issue of damages with respect to JKP, Herbal Care, MJD, Ken Taves and  
 2 Teresa Taves; (3) the FTC's Motion against O'Bannon is DENIED; and (4)  
 3 the O'Bannon Motion is GRANTED.

4 I. Procedural Background

5 On January 6, 1999, the FTC filed a complaint for a permanent  
 6 injunction and other equitable relief, and an *ex parte* motion for a  
 7 temporary restraining order ("TRO") without prior notice to the  
 8 defendants. The complaint alleges that the defendants had committed  
 9 unfair and deceptive business practices in violation of section 5(a)  
 10 of the FTC Act, 15 U.S.C. § 45(a). The Court issued a TRO on the same  
 11 day against the following defendants: JKP; Ken Taves and Teresa  
 12 Taves, individually and as officers of JKP, also dba Netfill,  
 13 netfill.com, N-Bill, Webtel and Online Billing; Net Options, Inc.;  
 14 Gary Neal Mittman, individually and as an officer of Net Options,  
 15 Inc.; and MJD. The TRO froze the defendants' assets and required,  
 16 *inter alia*, that the defendants be temporarily enjoined from  
 17 conducting certain business practices and the defendants disclose all  
 18 assets held by them, for their benefit or under their direct or  
 19 indirect control. The Court also appointed a receiver, Robb Evans and  
 20 Robb Evans & Associates ("Receiver") to administer the defendants'  
 21 businesses.

22 On January 7, 1999, the FTC served the complaint and TRO on the  
 23 defendants. On January 20, 1999, the FTC filed an amended complaint  
 24 naming the following additional defendants: Herbal Care; TAL  
 25 Services, Inc. ("TAL"); Adult Banc, Inc. ("Adult Banc"); Discreet  
 26 Bill, Inc. ("Discreet Bill"); Dennis Rappaport ("Rappaport"),  
 27 individually and as an officer of TAL, Adult Banc, Inc. and Discreet  
 28 Bill; O'Bannon, individually and as an officer of TAL and MJD. The

1 amended complaint also added an allegation that the defendants engaged  
2 in a common enterprise while violating the FTC Act.

3       On March 5, 1999, the Court issued a preliminary injunction order  
4 against Gary Mittman and Adult Banc. On March 15, 1999, the Court  
5 issued a preliminary injunction order against JKP, MJD, Ken Taves and  
6 Teresa Taves. On May 4, 1999, the Court issued Findings of Fact and  
7 Conclusions of Law holding Ken Taves in contempt of the Court's TRO by  
8 failing to disclose the property located at 6837 Zumirez Drive in  
9 Malibu, California ("Zumirez Property") and causing the transfer of  
10 the Zumirez Property to an entity called Trans Global on or about  
11 February 12, 1999. The Court ordered Ken Taves to pay \$2,050,000, the  
12 estimated sale price of the property, into the receivership estate  
13 within seven days to purge himself of the contempt. The Court also  
14 ordered that Ken Taves shall be imprisoned until he complies with the  
15 order if he fails to pay the \$2,050,000 within the prescribed time.  
16 To this date, Ken Taves has not purged himself of this contempt. He  
17 remains imprisoned at the Metropolitan Detention Center ("MDC") in Los  
18 Angeles.

19       On May 5, 1999, the Court issued a separate Findings of Fact and  
20 Conclusions of Law holding Ken and Teresa Taves in contempt of the  
21 Court's preliminary injunction order by, *inter alia*, failing to  
22 disclose an account at Euro Bank in the Cayman Islands with an  
23 estimated \$6.2 million in assets and failing to prevent dissipation of  
24 the Euro Bank account. Ken and Teresa Taves were ordered to take all  
25 steps possible and necessary to ensure the repatriation of the \$6.2  
26 million or else face imprisonment. Although the couple have signed  
27 //  
28 //

1 various documents to repatriate the monies, the Receiver has not  
2 recovered the monies to this date.<sup>1</sup>

3 On June 10, 1999, the Court entered a stipulated final judgment  
4 and preliminary injunction order against Gary Mittman and Adult Banc.  
5 On July 29, 1999, the Clerk entered a default against Discreet Bill  
6 and TAL. On August 11, 1999, the Clerk entered a default against  
7 Rappaport. On February 8, 2000, the Court entered default judgment  
8 and permanent injunction against Rappaport.

9 On November 29, 1999, the FTC filed the motion for summary  
10 judgment against JKP, MJD, Herbal Care, Ken Taves, Teresa Taves and  
11 O'Bannon. On December 6, 1999, O'Bannon filed an opposition to the  
12 Motion. On December 13, 1999, JKP, Herbal Care and Ken Taves filed  
13 their opposition to the Motion. On the same day, Teresa Taves filed  
14 her opposition to the Motion. On December 20, 1999, the FTC filed its  
15 reply.<sup>2</sup>

16 On December 20, 1999, O'Bannon filed his own motion for summary  
17 judgment.<sup>3</sup> On December 22, 1999, the FTC filed its opposition to the  
18 //

---

20 <sup>1</sup> On May 24, 1999, the Court ordered that Teresa Taves'  
21 contempt shall be considered purged in the event that she files a  
22 declaration under penalty of perjury detailing her efforts to locate  
23 documents related to the Euro Bank account and she turns over any such  
24 documents immediately upon discovery. On May 24, 1999, Teresa Taves  
25 filed a declaration stating that she had found no Euro Bank records in  
26 her home.

25 <sup>2</sup> MJD is no longer represented by counsel and did not file an  
26 opposition.

26 <sup>3</sup> The motion cutoff date -- the last day for a motion to be  
27 heard -- was December 20, 1999. Although the O'Bannon Motion was  
28 untimely, the Court will consider the motion. The FTC has had a full  
opportunity to brief its opposition to this motion.

1 O'Bannon Motion. On February 24, 2000, O'Bannon filed a reply.<sup>4</sup>

2 II. Factual Background<sup>5</sup>

3  
4 <sup>4</sup> On January 21, 2000, due to the illness of the presiding  
judge, the Court took the Motion and the O'Bannon Motion off calendar.  
5 On March 23, 2000, the Court placed the motions back on calendar and  
set them for hearing on April 3, 2000.

6 <sup>5</sup> These undisputed facts are derived largely from the FTC's  
7 statement of uncontroverted facts ("FTC's Statement") and the Court's  
8 review of all admissible evidence submitted by the FTC. On the issue  
9 of liability, JKP, Herbal Care and Ken Taves did not submit any  
evidence to oppose the Motion. Rather, in their joint statement of  
10 genuine issues, these defendants responded to the FTC's "facts" in one  
of three ways: (1) "Defendants . . . do not dispute this fact"; (2)  
11 "Defendant Kenneth Taves cannot respond to this alleged fact at this  
time based on his right against self-incrimination" and "[t]he  
12 corporate defendants, [JKP and Herbal Care], are also unable to  
respond at present because Mr. Taves is the witness with knowledge . .  
13 ."; or (3) "Defendants . . . lack the information to know whether this  
is a disputed fact." In short, on the issue of liability, JKP, Herbal  
14 Care and Ken Taves have identified no facts and submitted no evidence  
which controvert the facts included in FTC's Statement. With respect  
15 to certain "facts" relevant to the calculation of damages, these  
defendants did raise a challenge with the support of an expert  
16 declaration. Therefore, the Court finds that all facts included in  
the FTC's Statement to prove the liability of JKP, Herbal Care, Ken  
17 Taves, and MJD (because it did not oppose the Motion), to the extent  
supported by the evidence, exist without controversy. See Local Rule  
18 7.14.4 ("In determining any motion for summary judgment, the Court  
will assume that the material facts as claimed and adequately  
19 supported by the moving party are admitted to exist without  
controversy except to the extent that such material facts are (a)  
20 included in the "Statement of Genuine Issues" and (b) controverted by  
declaration or other written evidence filed in opposition to the  
21 motion") (emphasis added).

22 Teresa Taves filed an improper and unhelpful statement of genuine  
23 issues. She should have identified each fact from the FTC's Statement  
that is purportedly in dispute and, in a side by side comparison,  
24 pointed to facts and evidence that show a genuine issue exists.  
Instead, she merely (1) incorporates by reference JKP, Herbal Care and  
25 Ken Taves' statement of genuine issues and (2) lists purported genuine  
26 issues (e.g., "[w]hether Defendant Teresa Taves had actual knowledge  
of any illegal activity by any defendant . . .") without identifying  
27 supporting facts. She has submitted a copy of a sworn declaration  
filed in January 1999 and a copy of a portion of her deposition  
28

(continued...)

Defendants<sup>6</sup>

1 JKP, MJD and TAL. JKP and MJD were Nevada corporations engaged  
 2 in operating 14 adult-content Internet web sites. JKP was  
 3 incorporated on September 14, 1995. From at least June 1997 through  
 4 October 1998, JKP conducted business under the names Netfill and N-  
 5 Bill. MJD was incorporated on May 5, 1998. At some point in 1998,  
 6 MJD supposedly purchased JKP's book of business. From May 1998  
 7 through December 1998, MJD conducted business under the name Webtel.  
 8 In 1998, JKP and/or MJD also conducted business under the names Online  
 9 Billing and Assist Online. On October 16, 1998, TAL was incorporated  
 10 in Nevada. A month or two later, MJD transferred its book of business  
 11 to TAL. JKP, MJD and TAL operated out of the same Malibu, California  
 12 offices.<sup>7</sup> The same employees worked for these companies.  
 13

14  
 15 <sup>5</sup>(...continued)  
 16 testimony as exhibits in support of her opposition. These exhibits  
 17 concern her alleged lack of knowledge concerning the defendant  
 18 companies' activities. But the facts included in FTC's Statement to  
 19 prove the liability of Teresa Taves remain essentially undisputed.  
 20 Teresa Taves has consistently denied having knowledge of material  
 21 facts. The issue that the Court must determine boils down to whether,  
 22 despite her denial of knowledge, the FTC has sufficient evidence to  
 23 show Teresa Taves should be held liable as a matter of law.  
 24 O'Bannon's statement of genuine issues (in opposition to the  
 25 Motion) and statement of uncontroverted facts (in support of the  
 26 O'Bannon Motion) are similarly deficient in form and substance and,  
 27 therefore, unhelpful to the Court. As in Teresa Taves' case, the  
 28 issue boils down to whether the FTC has sufficient evidence to show  
 that O'Bannon should be held liable as a matter of law.

<sup>6</sup> Unless necessary for background information, the Court only  
 discusses the defendants that remain in this action.

<sup>7</sup> JKP operated out of an office located at 22917 Pacific Coast  
 Highway in Malibu, California, from at least April 1997 until January  
 1998. Thereafter, JKP operated out of offices located at 22761  
 Pacific Coast Highway in Malibu. The 22761 Pacific Coast Highway  
 offices were also used by MJD, TAL, and Discreet Bill at all relevant  
 (continued...)



1        Herbal Care & Discreet Bill. Herbal Care was a California  
 2 corporation co-founded in the mid-1980s by Ken and Teresa Taves.  
 3 During times relevant to this action, Herbal Care sold no products.  
 4 Instead, in 1997 and 1998, its sole "business" consisted of paying the  
 5 employees of JKP, purportedly after JKP provided the funds to Herbal  
 6 Care. Discreet Bill, a Nevada corporation, took over Herbal Care's  
 7 role of paying JKP employees in the fall of 1998.

8        Ken and Teresa Taves. Ken Taves and Teresa Taves, husband and  
 9 wife, are the owners, officers and directors of JKP and Herbal Care.  
 10 In 1998 alone, Ken and Theresa Taves were each paid a salary of at  
 11 least \$1.7 million for their services to JKP.<sup>8</sup> Ken Taves was actively  
 12 involved in the daily operations of his companies. He also held  
 13 himself out to employees and third parties as the final decision maker  
 14 for all key matters.

15        With respect to MJD, Ken Taves is not identified as an officer or  
 16 director on corporate documents. Also, Ken Taves had informed a third  
 17 party that he was a mere "consultant" for the company. However, the  
 18 evidence shows that he had ownership in and/or control over MJD.<sup>9</sup>

19 \_\_\_\_\_  
 20        <sup>7</sup>(...continued)  
 21 times.

22        <sup>8</sup> Even their son, who was 15 or 16 in 1998, was paid a salary  
 23 of over \$48,000 in 1998 for either "provid[ing] marketing concepts for  
 24 marketing" or "clean[ing] up" the offices. (K. Taves Depo. at 102 &  
 25 Depo. Ex. 5; T. Taves Depo. at 731-32.)

26        <sup>9</sup> The FTC attempts to introduce certain "evidence" against Ken  
 27 Taves purportedly elicited from Martin J. Dugan in regard to MJD, its  
 28 formation and its operation. See Motion at 20, note 92. During his  
 deposition, however, Martin Dugan invoked the Fifth Amendment  
 privilege against self-incrimination in response to all substantive  
 questions asked by counsel. The FTC argues that the Court can draw  
 adverse inferences from Dugan's assertion of the Fifth Amendment

(continued...)

1 According to his employees, Ken Taves held himself out as a final  
 2 decision maker for matters involving MJD. Additionally, Ken Taves was  
 3 the only person responsible for making payments to Automated  
 4 Transaction Services, Inc. ("ATS"), the company which processed the  
 5 defendant companies' credit and debit card transactions,<sup>10</sup> on behalf  
 6 of both JKP and MJD. As discussed below, Ken Taves was also the only  
 7 person who submitted JKP and MJD's e-mail charge requests to ATS for  
 8 processing. Moreover, according to Randall Ball,<sup>11</sup> all of the  
 9 "entities" -- Netfill, N-Bill, Online Billing, Webtel, TAL and MJD --  
 10 were part and parcel of the same company over which Ken Taves had

11  
 12  
 13 <sup>9</sup>(...continued)  
 14 against Ken Taves and the other defendants. *Id.* After reviewing the  
 15 cases cited by the FTC, which the Court finds distinguishable, the  
 16 Court declines to draw such adverse inference. *See id.* (citing  
 17 *Libutti v. United States*, 968 F. Supp. 71 (N.D.N.Y. 1997) (case  
 18 brought by the named-owner of a valuable racehorse against which the  
 19 IRS had issued a tax levy due to lack of assets in the name of named-  
 20 owner's father, the delinquent taxpayer; on issue of whether the  
 21 daughter or the father really owned the horse, the district court drew  
 22 adverse inferences from non-party father's invocation of the Fifth  
 23 Amendment privilege at trial after the court of appeals determined  
 24 that adverse inference was permissible under the circumstances of this  
 25 case), *aff'd*, *Libutti v. U.S.*, 178 F.3d 114 (2d Cir. 1999)); and *RAD  
 Servs., Inc. v. Aetna Casualty & Surety Co.*, 808 F.2d 271 (3rd Cir.  
 1986) (plaintiff company sued its insurer to recover costs incurred in  
 disposing of hazardous waste materials; court allowed jury to draw  
 adverse inferences against the company from the silences of two non-  
 party witnesses -- one a former officer and director of the company  
 and the other a former employee -- who were involved in the alleged  
 plan to unlawfully dump the hazardous waste materials). For this  
 ruling, the Court does not rely on any fact that is supported solely  
 by Martin Dugan's silence during his deposition.

26 <sup>10</sup> In June 1999, ATS was purchased by Quick Pages, Inc., a  
 27 Minnesota company.

28 <sup>11</sup> Ms. Ball was Ken Taves' office administrative assistant from  
 January 1997 to January 1999.

1 "control." (Ball Depo. at 12-14.)<sup>12</sup> "The names [merely] changed  
 2 periodically." (Id.)<sup>13</sup> Further, in December 1998, when one of MJD's  
 3 merchant accounts was terminated, Ken Taves contacted the agent who  
 4 assisted MJD in obtaining the account to inquire about the reason for  
 5 the termination. At the very least, the record shows that Ken Taves  
 6 was actively involved in MJD and the two companies -- JKP and MJD --  
 7 and their principals were cohorts in the same scheme.<sup>14</sup>

8 Teresa Taves has been married to Ken Taves since 1982. (T. Taves  
 9 Depo. at 800.)<sup>15</sup> Before her marriage, in the 1970s, she worked for

10  
 11 <sup>12</sup> Ms. Ball also testified that the same employees worked out  
 12 of the same suite of offices in Malibu and there was no distinction  
 13 between work done for JKP/Netfill as opposed to work done for MJD or  
 14 TAL. (Id. at 19-20.)

15 <sup>13</sup> When asked why the company's name changed, e.g., from  
 16 JKP/Netfill to MJD, Ken Taves and Rappaport told Ms. Ball that the  
 17 company was growing so different merchant accounts had to be set up  
 18 with different names because banks could only process a certain  
 19 volume/amount per merchant account. (Id. at 21-22.)

20 <sup>14</sup> Ken Taves attempted to but could not quite explain the  
 21 business relationship between MJD and JKP. He claims that pursuant to  
 22 a contract between MJD and JKP, MJD paid JKP for the credits and  
 23 chargebacks against JKP's merchant accounts (presumably after MJD took  
 24 over JKP's book of business). (K. Taves Depo. at 64-67.) But the  
 25 contract may or may not have been written (id. at 64, 67) and no  
 26 service was actually provided by MJD to JKP (id. at 66).

27 <sup>15</sup> The Court notes that some of the material facts concerning  
 28 Teresa Taves (and other defendants) discussed herein are not included  
 in the FTC's Statement. However, these facts are all supported by the  
 deposition transcripts, declarations or exhibits submitted by the FTC  
 in support of the Motion. Therefore, the Court may consider the facts  
 at this time. See Fed. R. Civ. P. 56(c) ("The judgment sought shall  
 be rendered forthwith if the pleadings, depositions, answers to  
 interrogatories, and admissions on file, together with the affidavits,  
 if any, show that there is no genuine issue as to any material fact").  
 For the parties' convenience, all facts not listed in the FTC's  
 Statement but referenced herein shall be accompanied by a citation to  
 the record.

1 five years at Security Pacific Bank. (Id. at 683.) She started as a  
2 bank teller, advanced to the position of chief teller and later  
3 transferred to the bank's loan department. (Id.) After leaving the  
4 bank, she worked for six months for a real estate company and two  
5 years in sales for a garment company. (Id. at 684.) Around 1985, a  
6 few years into her marriage, Teresa Taves worked for Herbal Care, the  
7 company she and her husband co-founded. She handled customer service  
8 and the shipping of products for approximately three years. (Id. at  
9 684-85.) Then, the company "kind of dissolved" because "it just  
10 wasn't a strong company." (Id. at 686-87.) During the next five  
11 years, with the exception of time-off for maternity leave, Teresa  
12 Taves worked part-time at another company formed by Ken Taves,  
13 handling shipping and answering calls. (Id. at 687.) The company  
14 sold or distributed computer toner supplies. (Id.) Around 1994 or  
15 1995, before JKP was formed, this computer toner supplies company  
16 dissolved. (Id. at 688.)

17 Teresa Taves assisted her husband with JKP's operations. She  
18 visited the Malibu offices occasionally, ran errands for the  
19 companies, entertained customers and held parties for the employees.  
20 (Id. at 690.) The record does not show that she was involved in the  
21 daily operations of JKP's business. However, as an officer of JKP,  
22 she signed checks, letters and corporate documents on behalf of JKP.  
23 The documents include federal corporate tax returns, bank account  
24 applications and signature cards, and statements concerning  
25 JKP/Netfill's business history. During her deposition, Teresa Taves  
26 repeatedly testified that she did not read the documents that she  
27 signed or did not recall reading the documents, even when those  
28 documents contain her initials next to statements such as "Merchant

1 Initial When Read." (See, e.g., *id.* at 748 ["I was just told to sign  
2 them and I signed them. I didn't really read the fine print"], 750  
3 ["I don't remember reading it"], 752 ["I didn't read these  
4 documents"], 763 ["I didn't read [them], I just signed them"].)<sup>16</sup> She  
5 also denied having any knowledge of fraud by any of the defendants.  
6 (See, e.g., *id.* at 752-53, 765-66, 769-71, 789-F-789-I.)<sup>17</sup>

7 But the evidence shows that she had a general understanding of  
8 JKP's business operations. For example, she knew that JKP's business  
9 operated adult-content web sites. (*Id.* at 711, 789-P.) She knew that  
10 merchant bank accounts were necessary for JKP to charge and process  
11 credit card payments.<sup>18</sup> (*Id.* at 736-37.) She was aware that ATS  
12 processed all of JKP's credit card transactions. (*Id.* at 782-83.)  
13 She also knew that customer service employees at the Malibu offices  
14 handled calls from disgruntled consumers seeking credits or  
15 "chargebacks" from the companies. (*Id.* at 730, 771.)<sup>19</sup> She talked to  
16

17 <sup>16</sup> Included among the documents that she signed on behalf of  
18 JKP/Netfill was a single page "Business to Business Affidavit" whereby  
19 she made certain representations and warranties to a bank, e.g.,  
20 JKP/Netfill will not process a credit card transaction for any sale in  
21 which the merchandise or service has not been delivered. (*Id.* at  
22 871.) When asked at her deposition whether each representation or  
warranty on the affidavit was true, Teresa Taves' answer was generally  
21 "I don't know," "I have no idea," or "I don't know if it was true or  
not." (*Id.* at 779-781.)

22 <sup>17</sup> During her deposition, she also refused to answer many  
23 questions on the ground that her answer might divulge confidential  
24 communications between her husband and her.

25 <sup>18</sup> A merchant account is a bank account that is used to accept  
credit cards as payment for the sale of products or services.

26 <sup>19</sup> When a card holder complains of unauthorized charges, the  
27 card holder can receive a reimbursement by chargeback or credit. If  
the issuing bank accepts the complaint from a customer who disputes a  
28 (continued...)

1 employees, observed their activities and overheard telephone  
2 conversations during her visits to the Malibu offices. (*Id.* at 789-S-  
3 791.)

4 In addition, Teresa Taves played a key role -- she was  
5 instrumental in JKP's ability to obtain merchant bank accounts. As  
6 discussed below, Teresa Taves ultimately acted on behalf of JKP in its  
7 efforts to obtain merchant accounts after Ken Taves' application was  
8 rejected because of his bad credit record. Teresa Taves recalls  
9 submitting merchant bank account applications on behalf of JKP. (*Id.*  
10 at 737.) On at least one occasion, she went to the premises of  
11 Charter Pacific Bank ("Charter Pacific"), met with bank personnel,  
12 including Richard Cornejo, the Executive Vice President/Bank Card  
13 Manager, and signed documents on site. (*Id.* at 746-749, 758-59.)<sup>20</sup>  
14 On another occasion, Teresa Taves, unaccompanied by her husband, met  
15 with an agent to sign documents related to a merchant bank application  
16 with Heartland Card Services (or Heartland Bank) ("Heartland"). (*Id.*  
17 at 773-76 ["I know my husband wasn't there"].)

18 Finally, Teresa Taves was aware that JKP (and/or the Taveses'  
19 other related businesses) made an extraordinary amount of money in  
20

21 <sup>19</sup>(...continued)  
22 charge on his or her account statement, it will reverse or charge back  
23 the transaction through the credit or debit card interchange. The  
24 "chargeback" causes a debit to be placed on the merchant's account at  
25 its bank and a credit on the customer's account at the issuing bank.  
26 A fee against the merchant account is ordinarily assessed for each  
27 chargeback. Alternatively, a credit can be given to the card holder  
28 by the merchant directly (whereby the merchant agrees to reimburse the  
card issuer), or it can be given by the card issuer (where the issuing  
bank absorbs the cost of the unauthorized charge).

<sup>20</sup> Teresa Taves testified that she did not specifically recall  
the conversations that took place at this meeting. (*Id.*)

1 1997 and 1998. As mentioned earlier, Teresa Taves and her husband  
 2 were each paid around \$1.7 million in 1998 by Herbal Care for their  
 3 work and involvement with JKP. She knew that her 15 or 16 year old  
 4 son was paid a salary, which amounted to approximately \$48,000, even  
 5 though he only "spen[t] a little time" in the offices and she did not  
 6 know what his duties were other than "cleaning up." (Id. at 731-  
 7 33.)<sup>21</sup> She also testified that the family earned close to \$4 million  
 8 from JKP's operations in 1997. (Id. at 804.) Before 1997, she and  
 9 her husband had never made so much money from any of their business  
 10 endeavors. (Id.)<sup>22</sup>

11 **Rappaport.** Dennis Rappaport has been a friend of the Taveses for  
 12 approximately twenty years. Discreet Bill was Rappaport's company.  
 13 In 1998, he worked full-time at the Malibu offices acting as Ken  
 14 Taves' office manager. In addition, Rappaport held himself out to  
 15 employees and third parties as a contact for both MJD and TAL.

16 **O'Bannon.** Maurice O'Bannon had an informal agreement with Nevada  
 17 Corporate Headquarters, Inc. ("Nevada Corp."), an incorporator, to act  
 18 as a nominee for their client-corporations and sign whatever documents  
 19 Nevada Corp. wanted him to sign. He visited the office once or twice

20  
 21 <sup>21</sup> She testified that she did not know the exact amount of  
 22 compensation. When presented with records showing that Herbal Care  
 23 paid her son approximately \$48,000 in 1998, she did not express any  
 surprise. (Id. at 733-35.)

24 <sup>22</sup> Some additional facts are worthy of mention. Ken Taves  
 25 faced a felony check alteration charge in 1997. (See 12/20/99 Spiegel  
 26 Decl., Attachment "A" [T. Taves Depo. at 4-6].) Teresa Taves claims  
 27 that she did not learn about this charge until after the commencement  
 28 of this action. (Id.) However, Teresa Taves has known since at least  
 1995 that her husband had been in trouble with the law in the past:  
 (1) he faced a murder charge in 1988 involving a victim who was a  
 financial or business associate of Ken Taves; and (2) prior to their  
 marriage, he had some unspecified criminal problems. (Id. at 12-16.)

1 a week to sign documents. (O'Bannon Depo. at 283.) O'Bannon claims  
 2 that he has never received a salary from Nevada Corp. (Id. at 282.)  
 3 He has received "a few little benefits" in exchange of his work, such  
 4 as "a hand-me down . . . used computer or something on that order" and  
 5 the use of a Cadillac car. (Id. at 282-83.)

6 Corporate documents show that O'Bannon was an officer and  
 7 director of MJD, Discreet Bill and TAL in 1998.<sup>23</sup> A merchant bank  
 8 agreement between Charter Pacific and TAL indicates that O'Bannon  
 9 signed the agreement on behalf of TAL in December 1998, even though  
 10 the corporate documents show that he had tendered his resignation as  
 11 an officer and director of TAL on October 29, 1998. (See id. at 305  
 12 [Resolution of the Board of Directors of TAL]; 311-322 [merchant  
 13 agreement].) However, O'Bannon testified that he was not aware that  
 14 he had held those roles (prior to his telephone deposition), he was  
 15 not familiar with those companies, and he has never received any money  
 16 from those companies. (Id. at 285-286, 289, 291-92, 299-300.) He  
 17 either does not recall signing the documents or claims that the  
 18 signatures on the documents appear to be impressions from his  
 19 signature stamp (and placed on the documents by someone else).  
 20 (Id.)<sup>24</sup> O'Bannon acknowledged that he, on behalf of Discreet Bill,  
 21

22 <sup>23</sup> According to the corporate documents: O'Bannon served as an  
 23 officer for (1) Discreet Bill from March 17, 1998 to April 25, 1999  
 24 (O'Bannon Depo. at 306; O'Bannon Motion, Ex. C); (2) MJD from May 7,  
 1998 to June 3, 1998 (O'Bannon Depo. at 304-304-A); and (3) TAL from  
 unknown date to October 29, 1998 (id. at 305).

25 <sup>24</sup> With respect to the December 1998 merchant bank agreement  
 26 between TAL and Charter Pacific, O'Bannon testified that he "sees  
 27 [his] signature stamp" on the last page. (Id. at 299; see id. at  
 322.) The signature page of the agreement does not contain a date line  
 28 next to his name. (See id. at 322.) The handwritten "12-8-98" below  
 (continued...)



1 signed the fictitious business name certificates that indicate  
 2 Discreet Bill (and not JKP or MJD) did business as N-Bill, Webtel,  
 3 Online Billing and Assist Online. (*Id.* at 293-98; *see id.* at 307-  
 4 10.)<sup>25</sup> However, he has no specific recollection of signing these  
 5 statements. Apparently, it was his practice to go to Nevada Corp.'s  
 6 offices, sit at a table and sign whatever documents the company gave  
 7 him to sign without actually reviewing the documents. (*See id.* at 293  
 8 ["I signed things that they give me to sign, and I don't really know  
 9 too much about everything I sign"], 298 ["I just would, you know, sit  
 10 at a table and sign them"], 301-02 ["I possibly would [sign a lengthy  
 11 document without reading it first] because I don't look at it that  
 12 carefully when I sign those papers"].) He is "not sure" whether  
 13 anyone at Nevada Corp. had authority to sign his signature in 1998.  
 14 (*Id.* at 301.)<sup>26</sup>

15  
 16 <sup>24</sup>(...continued)  
 17 O'Bannon's title and above the "Authorized Bank Signature" could have  
 18 been written by O'Bannon or the person who signed on behalf of the  
 19 bank. (A separate "12-22-98" notation on the lower left hand corner  
 20 is accompanied by initials of someone from the bank.) During  
 21 O'Bannon's deposition, the FTC did not ask O'Bannon whether the "12-8-  
 22 98" was written by him. The Court does not know whether the FTC  
 23 deposed the person who signed this agreement on behalf of the bank to  
 24 determine whether O'Bannon signed the agreement at the bank and/or  
 25 whether the bank personnel wrote the "12-8-98". (O'Bannon testified  
 26 that he was "pretty sure" that he was in Las Vegas on or about  
 27 December 8, 1998 (*id.* at 302).)

23 <sup>25</sup> The notarized documents show that O'Bannon signed the  
 24 certificates concerning Discreet Bill's use of (1) "N BILL" on  
 25 September 15, 1998, (2) "ONLINE BILLING" on September 15, 1998, (3)  
 26 "WEBTEL" on December 10, 1998, and (4) "ASSIST ONLINE" on December 10,  
 1998. (*See id.* at 307-10.)

26 <sup>26</sup> The Court does not know whether the FTC deposed Nevada Corp.  
 27 or its employees to determine whether someone had authority to sign  
 28 O'Bannon's name and/or whether someone else used O'Bannon's signature  
 (continued...)

O'Bannon claims that he does not know any person named Ken Taves, Teresa Taves, or Lee Sacks, former counsel for Ken Taves and his companies. (Id. at 302.) He also does not know anyone associated with MJD or Discreet Bill and does not have any knowledge about these companies' businesses. (Id. at 303.)

JKP dba Netfill's High Volume

"Business" and Trouble with the Banks

To become a member and utilize the adult-content Internet web sites, customers must submit a credit or debit card number.

Defendants' web sites charged a \$19.95 monthly fee. ATS processed credit and debit card transactions for JKP, MJD and TAL.<sup>27</sup> ATS was responsible for submitting these defendants' charge requests to the authorizing networks and collecting the payments.

In late 1996 or early 1997, Ken Taves applied for a merchant account with Charter Pacific. Charter Pacific turned down his application because he had a terrible credit record. Unlike her husband, Teresa Taves was creditworthy. Therefore, on or about June 2, 1997, Teresa Taves, acting as President of JKP dba Netfill, signed a merchant account application with Charter Pacific. On or about June 4, 1997, Ken Taves, acting on behalf of JKP, forwarded to Charter Pacific a copy of the notarized fictitious business name filing that confirms JKP can do business as Netfill. (K. Taves Depo. at 94 & Depo. Ex. 4.) JKP/Netfill's application was approved on or about June

<sup>26</sup> (...continued)  
stamp to sign documents.

<sup>27</sup> ATS processed charges for (1) JKP from 1995 to 1998; (2) MJD in 1998; and (3) TAL from late 1998 to January 1999. The only written transaction agreement that exists between ATS and these companies is a 1995 contract signed by Ken Taves on behalf of Netfill.

1 5, 1997. Charter Pacific's files list Ken and Theresa Taves as  
2 contacts for the JKP/Netfill merchant account.

3 In November 1997, on a form filled out by Ken Taves, Teresa Taves  
4 signed (on behalf of JKP/Netfill) an agreement to purchase access to  
5 various historical credit card number databases from Charter Pacific.  
6 JKP/Netfill ordered, among others, "Positive Database File #2," which  
7 contained the date of sale, card number and dollar amount of every  
8 Visa and Mastercard transaction processed through any merchant of  
9 Charter Pacific during the previous 11 months for which there had been  
10 no chargebacks or credits issued ("Charter Pacific Positive  
11 Database"). This database contained no information about the card  
12 holder. JKP/Netfill could download the Charter Pacific databases  
13 electronically.

14 Coinciding with JKP/Netfill's access to the Charter Pacific  
15 historical databases, JKP/Netfill began transmitting thousands of  
16 credit card charge requests to ATS by e-mail.<sup>28</sup> In late 1997 or early  
17 1998, Ken Taves, on behalf of JKP, began submitting customer charge  
18 information to ATS by e-mails with attached text files. The text  
19 files, transmitted once or twice a month, contained up to thousands of  
20 credit and debit card numbers.<sup>29</sup> At times these files omitted

21  
22 <sup>28</sup> Prior to that time, subscriptions to the adult web sites  
23 were processed solely by HTML post. In other words, customers would  
24 input the necessary data, e.g., their credit or debit card  
25 information, on a form generated by their Internet browsers, hit the  
26 submit button, and transmit the data directly to ATS's server for  
authorization. According to Ms. Ball, this was the only method by  
which the defendant companies processed subscriptions and obtained  
cardholders' credit or debit card numbers. (Ball Depo. at 31-32.)

27 <sup>29</sup> According to David Goldfarb, one of the owners of ATS, Ken  
28 Taves informed him that one reason for the e-mail transmissions was  
(continued...)

1 customer names, customer e-mail addresses and card expiration dates.  
 2 From those e-mail transmissions, it was impossible for ATS to  
 3 determine whether a cardholder had visited the defendants' web sites.  
 4 Nevertheless, ATS accepted the numbers and processed the charge  
 5 requests.<sup>30</sup> Ken Taves transmitted credit card charge requests by e-  
 6 mail to ATS on behalf of JKP, and subsequently on behalf of MJD,  
 7 through the end of 1998.<sup>31</sup>

8 Also near the time that Ken Taves began transmitting large  
 9 volumes of charge requests to ATS by e-mail, the JKP/Netfill merchant  
 10 account at Charter Pacific came to the attention of Visa USA's  
 11 chargeback monitoring program because its chargeback rate exceeded the

12 //

13 //

14

15 <sup>29</sup>(...continued)

16 that JKP, and later MJD, were submitting charges on behalf of other  
 17 Internet merchants -- merchants who lost their merchant accounts --  
 18 through JKP and MJD's merchant accounts for a fee. The banks with  
 19 which JKP and MJD held merchant accounts were not aware that JKP  
 20 and/or MJD were submitting charge transactions for the web sites of  
 21 third parties.

22 <sup>30</sup> In 1998 alone, ATS was paid approximately \$2.35 million in  
 23 fees -- \$1.25 million in checks and \$1.3 million in wire transfers --  
 24 from Ken Taves and/or his companies for the services ATS provided to  
 25 JKP and MJD. (Goldfarb Depo. at 503-05.) Interestingly, the checks  
 26 were made payable to ATS and deposited in Bank of America, where ATS  
 27 maintained a business banking account; however, the wire transfers  
 28 were sent to an Euro Bank account (in the Cayman Islands) held in the  
 individual names of David Goldfarb and Bill Parodi, the former co-  
 owners of ATS. (Id. at 511-12.)

29 <sup>31</sup> When asked if he knew whether ATS processed charge requests  
 30 after JKP/Netfill e-mailed a list of credit card numbers and  
 31 expiration dates, Richard Cornejo, the Executive Vice President/Bank  
 Card Manager of Charter Pacific, replied: "You're kidding?" (Cornejo  
 Depo. at 1513.) Cornejo then stated that "It better not have  
 occurred" because "[i]t's totally illegal." (Id. at 1514.)

1 maximum monthly norm permitted for merchants.<sup>32</sup> At the time, the  
 2 chargeback rate which triggered Visa USA monitoring was an overall  
 3 rate of 2.50% or more per month or a consumer dispute chargeback rate  
 4 of 1% or more.<sup>33</sup> By January 1998, the JKP/Netfill account had a 5.54%  
 5 overall chargeback rate (2,556 chargebacks out of 46,127 transactions)  
 6 and by February 1998, the JKP/Netfill account had a 6.11% overall  
 7 chargeback rate (2,656 chargebacks out of 43,480 transactions). On  
 8 March 30, 1998, Visa USA notified Ken Taves and Charter Pacific that  
 9 the Netfill account had an excessive number of chargebacks four months  
 10 in a row -- November 1997, December 1997, January 1998 and February  
 11 //

12 //

---

14 <sup>32</sup> Through its Risk Management Division, Visa USA monitors  
 15 chargebacks suffered by merchants who accept Visa cards. The  
 16 chargeback rate is calculated with the numerator being the number of  
 17 transactions charged back to the merchant's bank and the denominator  
 18 being the total number of all transactions charged through the system  
 19 by the merchant. In the first three months of excessive chargebacks,  
 20 Visa USA contacts the merchant bank and asks them to fix the  
 21 problem(s) causing the excessive chargebacks. If a merchant has four  
 22 months of excessive chargebacks in any five month period, Visa USA  
 23 places the merchant on "active monitoring" status. Visa USA also  
 24 begins to assess fees against the merchant bank, which in turn  
 25 assesses fees against the merchant. The fees include a \$5,000  
 26 administrative fee and \$25 per chargeback. In addition, the merchant  
 27 is required to develop and follow a chargeback reduction plan.  
 28 Typically, among the approximately 3.5 to 4 million merchants in the  
 Visa card system, only 3 to 5 merchants reach four consecutive months  
 of excessive chargebacks.

<sup>33</sup> A chargeback can also occur for a number of reasons that do  
 not involve a consumer dispute, e.g., a transaction for which an  
 authorization was never given by the issuing bank. (Elliott Decl. ¶¶  
 4-5.) A consumer dispute chargeback is a chargeback initiated by a  
 consumer complaint and determined by Visa USA to involve a merchant  
 practice that may adversely impact the consumer, e.g., credits not  
 posted or defective merchandise. (See id.; Cornejo Depo. at 1570 (Ex.  
 14 [Visa USA letter to Netfill]).)

1 1998.<sup>34</sup> (See Cornejo Depo. at 1570-71.) Therefore, JKP/Netfill was  
 2 required to submit a chargeback reduction plan within 15 days. (Id.)  
 3 In addition, Visa USA warned Netfill that failure to reduce the  
 4 chargeback ratios may result in the revocation of Netfill's Visa card  
 5 acceptance privileges. (Id.) On April 3, 1998, Charter Pacific  
 6 notified Netfill that a total of \$71,250 in fees would be assessed to  
 7 Netfill's account for the February 1998 chargebacks. (Id. at 1572.)

8 JKP/Netfill never submitted the requisite chargeback reduction  
 9 plan. Instead, presumably to avoid "active monitoring" by Visa USA,  
 10 JKP decided to switch merchant banks. On March 19, 1998, less than  
 11 two weeks before the arrival of the Visa USA warning letter concerning  
 12 the Charter Pacific account, Teresa Taves, as President of JKP dba  
 13 Netfill, signed an application for a merchant account with Heartland  
 14 Bank (via Heartland Card Services) ("Heartland"). Heartland approved  
 15 the account on or about April 17, 1998.<sup>35</sup> Instead of "Netfill," the

16  
 17 <sup>34</sup> According to Visa USA's records, the Netfill account at  
 18 Charter Pacific had the following chargeback rates for March through  
 19 June 1998: March 1998: 5.20% (3,095 chargebacks out of 59,470  
 20 transactions), April 1998: 9.53% (3,693 chargebacks out of 38,739  
 transactions), May 1998: 23.75% (4,391 chargebacks out of 18,489  
 transactions), and June 1998: 63.9% (2,983 chargebacks out of 4,668  
 transactions).

21 <sup>35</sup> Heartland's JKP/Netfill underwriting file contains a list of  
 22 adult web sites operated by JKP/Netfill. (See Carr Depo. at 960-61,  
 23 1150.) The web sites included the following: erosisland.com,  
 24 pinkbeaver.com, muffpie.com, pornhq.com, asianhq.com, cinemaxxx.com,  
 25 porntheatre.com, and pornreview.com. (Id. at 1150.) Gary Mittman,  
 26 the owner of Adult Banc, testified that in late 1998, Ken Taves  
 "basically handed" him 14 adult web sites that JKP had developed but  
 stopped operating. Those 14 web sites include the eight referenced  
 above and one called "pureskin.com," (Mittman Depo. at 54-55), which  
 is subsequently identified as a site owned and operated by MJD.

27 Based on Ken Taves' representation, Robert Carr, Heartland's  
 28 Chief Executive Officer, believed that JKP only processed charge/debit  
 (continued...)

1 billing descriptor for this account (as it would appear on the  
2 cardholder's statements) was "N-Bill." On May 22, 1998, Netfill  
3 informed Charter Pacific that it would cease processing payments with  
4 Charter Pacific. Teresa Taves signed the letter on behalf of Netfill.  
5 On May 31, 1998, Charter Pacific closed the Netfill account.

6 However, JKP/Netfill continued to pay for access (and had access)  
7 to the Charter Pacific Positive Database until at least December 31,  
8 1998. The Charter Pacific Positive Database files that JKP/Netfill  
9 could have accessed from November 1997 through January 7, 1999 (the  
10 date the Receiver took over) contained at least 3,622,418 valid  
11 Visa/MasterCard credit card numbers. (See Card Alert Services ("CAS")  
12 Report at 2163, 2165; see also discussion, *infra*, at 32 & note 54.)

13 The N-Bill account with Heartland was approved at an opportune  
14 time. JKP/Netfill was able to avoid submitting a chargeback reduction  
15 plan and continue processing its credit/debit card requests without  
16 interruption. But almost immediately, in July 1998, the N-Bill  
17 account was flagged by the Visa USA chargeback monitoring program  
18 because of excessive chargebacks. In August 1998, according to  
19 Heartland's records, cardholders charged back 21,431 transactions  
20 worth \$427,129 that had been billed through the N-Bill account.<sup>35</sup>

21  
22 <sup>35</sup> (...continued)  
23 card transactions for subscriptions to web sites that it owned and  
24 operated. Heartland maintains no merchant account relationship with  
25 merchants who processed charge/debit card transactions on behalf of  
26 third parties who did not have their own merchant accounts.

27 <sup>36</sup> Visa USA's records show that the N-Bill account had a 6.63%  
28 chargeback rate for August 1998 (13,414 chargebacks out of 202,389  
transactions). Apparently, the Heartland and Visa USA records contain  
different figures because Visa USA only monitors Visa card charges,  
whereas Heartland's records reflect chargebacks for all credit cards  
(continued...)

1 Heartland assessed \$321,465 in fees against JKP for the August  
 2 chargebacks. (Carr Depo. at 975-76, 1347-49.) On or about September  
 3 16, 1998, Mr. Carr (Heartland) informed either Ken Taves or Mr.  
 4 Goldfarb (ATS) that chargebacks on the N-Bill account were "way out of  
 5 line." (Id. at 923-24.) Indeed, for September 1998, Visa USA  
 6 registered a 9.67% chargeback rate for the N-Bill account. Moreover,  
 7 September 1998 was the third consecutive month that N-Bill's  
 8 chargebacks exceeded Visa USA's guidelines.<sup>36</sup> Realizing that it would  
 9 soon go on Visa USA's "active monitoring" list, JKP/Netfill decided to  
 10 close the Heartland account.

11 On September 29, 1998, Netfill sent a letter to Heartland  
 12 requesting the closure of the N-Bill account effective October 1,  
 13 1998. Teresa Taves, as President of Netfill, signed the letter to  
 14 Heartland. On October 1, 1998, Heartland closed the N-Bill account.

15 Transfer of JKP/Netfill's Business to MJD  
 16 and the Opening of New Merchant Accounts

17 As mentioned earlier, MJD was incorporated on May 5, 1998. It  
 18 shared the same employees and the same suite of offices in Malibu used  
 19 by JKP/Netfill. In addition to Ken Taves, Rappaport held himself out  
 20 as a contact for MJD. Sometime after its formation, Ken Taves advised  
 21 ATS that JKP's customers would become MJD's customers because MJD  
 22 bought JKP's book of business. The evidence indicates that the

23  
 24 <sup>36</sup>(...continued)  
 25 processed through its merchant accounts.

26 <sup>37</sup> In September 1998, Ken Taves and Mr. Carr exchanged a series  
 27 of e-mails concerning N-Bill account's overcharges. In his e-mails,  
 28 Ken Taves acknowledged that the N-Bill account has experienced  
 excessive charge-backs but suggested that JKP/Netfill was making every  
 effort to improve its record.



1 transfer of JKP's book of business to MJD, to the extent that it  
2 occurred, was part of the scheme to avoid the detection of fraud.<sup>38</sup>

3 In May 1998, around the time that JKP closed its Netfill account  
4 at Charter Pacific, MJD applied for a merchant account with Charter  
5 Pacific. The MJD account, underwritten for an account where the  
6 merchant only processed charges for its own web site(s), was approved  
7 in May or June 1998. Almost immediately, the MJD account had  
8 excessive Visa card chargebacks. Visa USA records show that MJD had  
9 the following chargeback rates from August through November 1998:  
10 3.11% (August); 6.63% (September); 9.62% (October); and 5.86%  
11 (November). (Elliott Decl. at 2154.) Thus, by the end of November  
12 1998, the MJD account had exceeded Visa USA's acceptable chargeback  
13 ratios for four months.

14 In October 1998, when its merchant account at Charter Pacific was  
15 entering its third month of excessive chargebacks, MJD opened a  
16 merchant account with Heartland using "Webtel" instead of MJD as the  
17 merchant descriptor.<sup>39</sup> On its application, MJD identified

18 //

19 //

20

21

22 <sup>38</sup> For example, by changing merchant banks or merchant names,  
23 that merchant's chargeback record starts anew under the Visa USA  
24 chargeback monitoring program. Thus, even if the merchant had  
25 previously been flagged as a problem merchant by Visa USA, the next  
26 time that the merchant has excessive chargebacks, the merchant (under  
27 the new name or merchant account) will be listed as a first month  
28 offender under Visa USA's monitoring program. This way, a merchant  
can avoid "active monitoring" by Visa USA and avoid chargeback fees,  
at least initially.

27 <sup>39</sup> The opening of the Heartland account coincided with  
28 JKP/Netfill's closing of its N-Bill account with Heartland.

1 "www.pureskin.com" as its adult-content web site.<sup>40</sup> On December 3,  
 2 1998, following a four-day period in late November when the MJD/Webtel  
 3 account processed approximately \$4.7 million in Internet "sales,"  
 4 MasterCard contacted Heartland to report that it had received calls  
 5 from three issuing banks regarding possible fraud by Webtel. On  
 6 December 7, 1998, Heartland terminated the Webtel account.<sup>41</sup>

7 On January 5, 1999, Charter Pacific advised MJD that a total of  
 8 \$48,200 in fees will be assessed to MJD's account for the November  
 9 1998 chargebacks. (Cornejo Depo. at 1614.) In addition, Charter  
 10 Pacific required MJD to submit its chargeback reduction plan by  
 11 January 7, 1999. (Id.) On January 11, 1999, four days after the  
 12 Receiver took over the defendant companies, Charter Pacific closed the  
 13 MJD account.

#### 14 Beginning Anew With TAL

15 In October 1998, as the MJD account was placed under the scrutiny  
 16 of Visa USA's monitoring program, a new entity appeared. Like JKP,  
 17 MJD and other defendant companies, TAL operated out of the offices at

18 <sup>40</sup> As noted earlier in footnote 35, www.pureskin.com was also  
 19 supposed to be JKP/Netfill's web site in 1998.

20 <sup>41</sup> On December 8, 1998, Lee Sacks, former counsel for Ken Taves  
 21 and his companies, contacted Heartland on behalf of MJD. Mr. Sacks  
 22 requested the opportunity to discuss with Heartland "the events  
 23 leading to the termination of [MJD's] merchant account." (Carr Depo.  
 24 at 1090). Mr. Sacks went to Heartland's offices and requested, to no  
 25 avail, that the MJD account be reopened. Around the same time, Ken  
 26 Taves contacted Heather Bennett, the independent agent who submitted  
 27 MJD's application to Heartland, to find out why Heartland had  
 28 terminated the MJD/Webtel account.

On or about December 9, 1998, Ken Taves also learned that a  
 representative from GM MasterCard had called and accused Online  
 Billing, one of the fictitious business names used by JKP/Netfill or  
 MJD, of stealing people's credit card numbers over the Internet and  
 charging for services not rendered. Ken Taves was last seen at the  
 Malibu offices on December 8 or 9, 1998.

1 22761 Pacific Coast Highway offices and shared the same employees. In  
 2 December 1998, a merchant account for TAL was opened at Charter  
 3 Pacific.<sup>42</sup> The merchant account agreement between TAL and Charter  
 4 Pacific indicates that O'Bannon signed the agreement on behalf of TAL.  
 5 (O'Bannon Depo. at 322.)

6 Rappaport held himself out as a contact for TAL. Around the  
 7 middle of December 1998, Rappaport told ATS that MJD's existing book  
 8 of business, the portion that was then processed through the Charter  
 9 Pacific merchant account, would be turned over to TAL. TAL was only  
 10 in operation for a few weeks when the FTC filed this action.

#### 11 Problems With Consumers

12 In 1998 alone, over \$49.4 million in "income" were deposited into  
 13 JKP and MJD's merchant accounts at Charter Pacific and Heartland. Of  
 14 this total, over \$10.7 million were deposited at Charter Pacific  
 15 (\$6,145,431 in the JKP/Netfill account and \$4,562,914 in the MJD  
 16 account) and over \$38.7 million were deposited at Heartland  
 17 (\$26,284,514 in the JKP/N-Bill account and \$12,424,284 in the Webtel  
 18 account). From bank records of the total monthly deposits into JKP  
 19 and MJD's merchant accounts, the following monthly "sales" pattern for  
 20 1998 emerges:<sup>43</sup>

21  
 22 <sup>42</sup> The FTC did not cite to a copy of the merchant account  
 23 application; and the Court did not find a copy of the application in  
 24 the volumes of exhibits. Therefore, the Court does not know which  
 individual actually applied for the account.

25 <sup>43</sup> For the sake of convenience, the numbers in the chart have  
 26 been rounded to the nearest hundred. For the accurate figures, see  
 February 1999 Receiver's Report, FTC's Exhibit 28-A, at 1974.

27 FTC Fact No. 99, which identifies the amounts that JKP and MJD  
 28 deposited into their merchant bank accounts in 1998, relies on the  
 declaration of Brick Kane, a principal of Robb Evans & Associates, who  
 (continued...)

	January	February	March	April	May	June
JKP	\$830,400	962,200	1,870,400	3,119,500	2,224,700	4,991,600
MJD						185,300
Total \$	\$830,400	962,200	1,870,400	3,119,500	2,224,700	5,176,900

	July	August	September	October	November	December
JKP	\$5,510,500	5,865,500	6,060,200	991,500	3,600	80
MJD	\$ 757,800	664,900	887,400	3,563,300	10,129,200	799,300
Total	\$6,268,300	6,530,400	6,947,600	4,554,800	10,132,800	799,380

Such sales figures, if legitimate, are impressive indeed, given that the monthly web site membership fees were only \$19.95. But JKP and MJD did not legitimately obtain the spectacular "sales."

It is clear from the undisputed evidence that these defendants billed the credit and debit card accounts of individuals from all over the United States without authorization. Typically, the purported consumers had never heard of or seen the defendants' business names before receiving their bank or charge card statements. Many victims

<sup>43</sup>(...continued)

in turn cites the February 1999 Receiver's Report and bank statements in support of these figures. In their statement of genuine issues, Ken Taves, JKP and Herbal Care dispute FTC Fact No. 99 on the erroneous ground that the FTC had relied upon the ATS Historical Database (see definition in text, *infra*, at 30) in reaching these calculations. (K. Taves, JKP and Herbal Care's Statement of Issues, No. 99.) Because the Receiver did not rely on the ATS Historical Database for these figures, the Court disregards these defendants' "dispute" and treats this fact as undisputed. The Court notes that FTC Fact No. 100 is similarly not in dispute, despite the defendants' contentions to the contrary, because the fact is based on the Receiver's review of bank statements and not the ATS Historical Database.

1 called the toll-free telephone numbers listed next to the descriptor  
2 names on their statements to find out why they were charged \$19.95.<sup>44</sup>  
3 To add to the confusion, when calls were answered, JKP, MJD or TAL  
4 customer service representatives used two additional fictitious names  
5 to greet customers -- "Online Billing" or "Assist Online."

6 Unfortunately, many unhappy cardholders were unable to reach a  
7 live customer service representative to respond to their inquiries.  
8 Oftentimes the toll-free telephone lines were busy for long periods of  
9 time or rang without an answer. Some calls were answered by an  
10 automated voice mail system that did not identify the name of any  
11 company. Instead, the voice mail recording would ask callers to input  
12 their credit card numbers and press telephone keys to satisfy  
13 inquiries. Understandably, many people refused to give their credit  
14 card numbers to an anonymous or unknown entity. Other people were  
15 unable to leave messages because the voice mail system indicated that  
16 the voice mailbox was "full." Frustrated and fearful that their cards  
17 may have been stolen, many cardholders contacted their issuing banks  
18 and canceled their debit or charge cards.

19 JKP, MJD and TAL's customer service department<sup>45</sup> was overwhelmed  
20 with complaints. In February 1998, the customer service department  
21 had two employees. The complaints increased steadily during the year.  
22 Around April 1998, in response to the increased number of calls, more  
23 customer service representatives were hired. Towards the end of 1998,  
24

---

25 <sup>44</sup> Some cardholders were charged \$19.95 for several months in a  
26 row.

27 <sup>45</sup> The Court refers to a single customer service department  
28 because the evidence shows that JKP, MJD and TAL shared a single  
customer service department and used the same set of employees.

1 when the volume of complaint calls was at its highest, the customer  
2 service department had 12 or 13 representatives. At that time,  
3 thousands of calls were answered each day. Every customer service  
4 agent received 200 to 300 calls per day.

5 According to employees' estimates, more than 50% of the calls  
6 were from people who said they did not order the defendants' services  
7 and had no idea why they were billed. In addition, an astonishing 40%  
8 to 50% of the calls were from people who said they did not have a  
9 computer and had not given their card numbers to anyone. Not  
10 surprisingly in the scheme of things, the customer service agents'  
11 computer screens generally did not display consumers' street or e-mail  
12 addresses because such information was not available. Thus, the  
13 customer service representatives were unable to verify whether the  
14 complaining callers had actually signed up for any of the companies'  
15 Internet web sites.

16 In the summer of 1998, Ken Taves and Rappaport established a bank  
17 support department (and a separate telephone line) to respond to calls  
18 from card issuing banks and credit unions. The goal was to get the  
19 issuing banks to contact JKP, Netfill, N-Bill, MJD, Webtel or TAL  
20 directly (instead of going through the charge authorization networks)  
21 so that the defendants could issue credits. By issuing credits, these  
22 defendants could avoid the penalties and fees associated with  
23 chargebacks and reduce their exposure to the Visa USA chargeback  
24 monitoring program.<sup>46</sup> Rudy Pena, the employee that Ken Taves and  
25 Rappaport picked to head the bank support department, had no knowledge  
26 //

27 \_\_\_\_\_  
28 <sup>46</sup> The defendant companies never disputed a chargeback.

1 of the Truth in Lending Act, Electronic Fund Transfer Act or the  
2 credit card processing rules for Visa, MasterCard or Discover.

3 By August 31, 1999, the Charter Pacific and Heartland merchant  
4 accounts had processed over \$6.8 million worth of chargebacks and  
5 credits<sup>47</sup> (or 13.8% of the \$49.4 million in "sales" proceeds deposited  
6 into the accounts). Visa USA's records show that JKP and MJD's  
7 merchant accounts' average chargeback rate for Visa cards in 1998,  
8 taken as a whole, is approximately 7.3%. (Elliot Decl. ¶¶ 14-15.)  
9 This rate is based on the following data: 120,425 chargebacks  
10 (totaling in excess of \$2.6 million) processed out of 1,647,578 total  
11 Visa card transactions. (Id.)<sup>48</sup> This is "exceedingly high" when  
12 compared to the average Visa card chargeback rate of 0.80% for  
13 electronic commerce merchants, those classified as primarily Internet-  
14 based merchants. (Elliott Decl. ¶¶ 12-16.)

15 To date, there remain cardholders from all over the United States

16  
17 <sup>47</sup> \$5,157,898 in chargebacks and \$1,652,814 in credits. (Kane  
18 Decl. ¶ 4.) During oral argument, the FTC's counsel updated the total  
19 chargebacks and credits to the merchant accounts, providing the Court  
20 with a total of \$7.3 million (\$7,330,968 instead of \$6,810,712)  
21 through February 2000. Because the Court finds that a triable issue  
22 of fact exists concerning the amount of damages and the damages  
23 calculation presented in the briefs used the \$6.8 million figure, the  
24 Court shall continue to refer to the former \$6.8 million figure in the  
25 facts section rather than the updated \$7.3 million figure.

26 <sup>48</sup> Martin Elliott, the Program Manager of Visa USA's Merchant  
27 Chargeback Monitoring Program, opines that the 7.3% chargeback rate  
28 stated above may understate the number of consumer complaints to  
issuing banks because many issuers would have written off the charges  
without charging them back to the merchant bank. (Elliot Decl. ¶ 14.)  
As explained by Card Alert Services, the FTC's expert, processing a  
chargeback through the interchange system typically costs card issuers  
at least \$20. (CAS Report at 2161.) If the challenged charge is less  
than the cost associated with processing the chargeback, issuing banks  
may simply absorb the cost of the charge in question instead of  
submitting it through the interchange system. (Id.)

1 who complain that they have never been credited for unauthorized  
 2 charges posted to their credit or debit card accounts by N-Bill, MJD  
 3 and Webtel.<sup>49</sup> Some cardholders discovered the unauthorized charges  
 4 too late; they were no longer able to obtain a credit through their  
 5 card issuing banks. Undoubtedly, there are also cardholders who do  
 6 not pay much attention to their statements and therefore never noticed  
 7 the unauthorized charges.

#### 8 Amount of Damages

9 The FTC contends that the damages caused by the defendants'  
 10 unauthorized billing practices in 1998 amount to \$40.5 million.<sup>50</sup> The  
 11 FTC's calculation of damages relies in large part on information  
 12 derived from historical databases maintained and produced by ATS.  
 13 JKP, Herbal Care, Ken Taves and Teresa Taves challenge the  
 14 authenticity and reliability of information obtained from ATS.

15 ATS maintained a historical database that purportedly recorded  
 16 the transactions processed for JKP, MJD and TAL from January 1998 to  
 17 the date the Receiver took over the defendant businesses (the "ATS  
 18 Historical Database"). The database produced to the FTC contains the  
 19 following information: transaction number, card number, transaction  
 20 amount, transaction time and date, and associated merchant  
 21 identification. It does not identify the names or addresses of any  
 22 card holders whose accounts were being billed. Nor does the database  
 23

---

24 <sup>49</sup> The FTC submitted 17 cardholder declarations in support of  
 25 this fact. See FTC Statement, Fact No. 93. During oral argument, the  
 26 FTC's counsel stated that these 17 cardholders are representatives of  
 27 a larger class of victims who have yet to obtain a credit for the  
 28 unauthorized charges.

<sup>50</sup> The FTC has not submitted evidence concerning damages that  
 may be attributed to the defendants' 1997 business activities.



1 identify the authorization numbers for any of the transactions.<sup>51</sup> ATS  
 2 turned over this database to former defense counsel, Fried, Frank,  
 3 Harris, Shriver, and Jacobson ("Fried, Frank"), on February 19, 1999.  
 4 Four days later, the ATS Historical Database was turned over to the  
 5 Receiver.

6       Apart from the ATS Historical Database, ATS maintained a customer  
 7 database for TAL (the "TAL Customer Database"). This database  
 8 contains customers' names and addresses in addition to the information  
 9 contained in the ATS Historical Database. Until January 4, 1999,  
 10 three days before service of the complaint (and TRO) in this case, ATS  
 11 allegedly also maintained a customer database for JKP and MJD which  
 12 contained the names and addresses of the customers. During his  
 13 deposition, Mr. Goldfarb testified that ATS turned over this database  
 14 (on a CD-ROM) to former defense attorney Lee Sacks on January 4, 1999.  
 15 Mr. Sacks testified in his deposition that he returned the CD-ROM to  
 16 the defendants by leaving it on Ms. Ball's desk. However, Ms. Ball  
 17 did not receive the CD-ROM and never had a conversation with Mr. Sacks  
 18 concerning the delivery of the CD-ROM prior to this action. When the  
 19 Receiver entered the defendants' business premises on January 7, 1999,  
 20 it did not find the CD-ROM or any other documents/files that contain a  
 21 listing of the JKP and MJD customers. Therefore, based on what the  
 22 FTC was able to ascertain, the ATS Historical Database and the TAL  
 23 Customer Database are the only existing records of the defendant  
 24 //

25  
 26 \_\_\_\_\_  
 27 <sup>51</sup> "The absence of authorization numbers raises an inference  
 28 that the transactions were not properly processed through the  
 [interchange] system, or that the ATS data as submitted is not  
 complete." (CAS Report at 2163.)

1 companies' charge transactions maintained by or on behalf of the  
2 defendants.<sup>52</sup>

3 The ATS Historical Database purportedly contains records of  
4 2,584,919 transactions (not card numbers) for the January 1998 to  
5 December 1998 period, totaling \$47,512,530.<sup>53</sup> (CAS Report at 2162-  
6 63.) Card Alert Services, the FTC's expert, found 912,125 credit and  
7 debit card numbers associated with the 2,584,919 transactions. (Id.  
8 at 2163.) Comparing the card numbers in the ATS Historical Database  
9 with the card numbers in the Charter Pacific Positive Database  
10 processed from August 1997 through June 1998,<sup>54</sup> Card Alert Services

11  
12 <sup>52</sup> The absence of any other record of the defendants' business  
13 transactions -- e.g., customer names, addresses or authorization  
14 numbers for approved transactions -- is incredible insofar as the  
15 defendants would have the Court believe that they operated legitimate  
16 businesses. As FTC's expert states, "[i]n our experience with  
17 businesses involved in high volume credit and debit card activity,  
18 such information is routinely kept by the businesses." (CAS Report at  
19 2166-67.) Also, one would expect a legitimate Internet-based merchant  
20 to maintain a record of its customers' e-mail addresses and  
21 corresponding credit/debit card numbers. (See id.) However, neither  
22 the defendants nor their agents have such records, whether stored in  
23 computer files or on hard copies.

24  
25 <sup>53</sup> This number is \$1,906,693 less than the total 1998 deposits  
26 to the Charter Pacific and Heartland merchant accounts -- \$49,417,143  
27 -- derived from a review of bank statements. Due to the lack of  
28 sufficient business records maintained by the defendant companies, the  
FTC claims it is unable to account for this difference.

29  
30 <sup>54</sup> As previously stated, JKP/Netfill obtained access to the  
31 Charter Pacific Positive Database in November 1997. The database  
32 contains valid credit card numbers processed in the prior 11 months.  
33 Therefore, JKP/Netfill should have had access to valid credit card  
34 numbers processed prior to August 1997. However, Charter Pacific  
35 apparently did not produce any database files that contain records of  
36 credit cards processed prior to August 1997. Of the two groups of  
37 Charter Pacific Positive Database files received by Card Alert  
38 Services, one covers cards processed from August 1997 through June  
1998 and the other covers cards processed from July 1998 through  
(continued...)

1 found that 752,602 cards that appear in the Charter Pacific Positive  
 2 Database were used in ATS processed transactions after the card  
 3 numbers first appeared in the Charter Pacific Positive Database. (Id.  
 4 at 2165.) Based on this data, Card Alert Services concludes that  
 5 82.5% of the ATS processed cards (752,602 out of 912,125) matched  
 6 cards processed previously from a Charter Pacific merchant other than  
 7 the defendant businesses. (Id.) When Card Alert Services compared  
 8 the card numbers in the ATS Historical Database with the card numbers  
 9 in the Charter Pacific Positive Database processed from August 1997  
 10 through October 1998, it found that 86% of the ATS processed cards  
 11 (783,947 out of 912,125) matched.<sup>54</sup> (Id. at 2165-66.) Again, this  
 12 figure involves cards that were first processed in the Charter Pacific  
 13 Positive Database and then processed in the ATS Database.

14 Card Alert Services opines that it is extremely unlikely that  
 15 783,947 cards out of 912,125 cards would coincidentally match a single  
 16 database of 3.6 million cards processed through one merchant bank.  
 17 (Id. at 2166.) The FTC's statistical expert, Dr. Martin Lee, agrees.  
 18 Dr. Lee opines that the probability of this occurring is "roughly  
 19 equivalent to winning the grand prize in the California lottery every  
 20 week for about 109,000 consecutive years." (Lee Report at 2194.)  
 21

22 <sup>54</sup>(...continued)  
 23 October 1998. (Id. at 2164.)

24 <sup>55</sup> The Court notes that the CAS report neglects to emphasize at  
 25 this point that the 912,125 cards processed through the ATS Historical  
 26 Database supposedly include both credit and debit cards. (Compare CAS  
 27 Report at 2163 with id. at 2166). Thus, to the extent this evidence  
 28 is reliable, the number of credit cards ATS processed for the  
 defendants should be less than 912,125. Accordingly, the correlation  
 should be larger than 86% (because the numerator remains 783,947 but  
 the denominator would be an amount less than 912,125).

1 Such matches, along with other improbable correlations discussed in  
2 its report, led Card Alert Services to conclude that:

3 [V]irtually all credit card numbers that the defendants  
4 billed as [their] own sales were, in fact, credit card  
5 numbers that [first] appeared in the [Charter Pacific]  
6 [P]ositive [D]atabase and which defendants appropriated for  
7 their own use. Rather than obtaining authorization for  
8 billing credit card numbers from cardholders who provided  
9 their card number[s] and authorized such charges, it appears  
10 that defendants accessed another source for valid credit  
11 card numbers, the [Charter Pacific] [P]ositive [D]atabase,  
12 and simply billed these credit card numbers without regard  
13 to authorization.

14 (CAS Report at 2166.)

15 Using the \$47.5 million "sales" figure from the ATS Historical  
16 Database, the FTC concludes that a total of \$3,357,552 can be linked  
17 to merchant identification numbers ("merchant IDs") associated with  
18 the defendant companies' web sites and \$1,026,407 can be linked to  
19 merchant IDs associated with web sites that these defendants shared  
20 with third parties. Thus, \$4,383,849 (or 9.2% of the \$47,512,530  
21 processed through ATS) possibly represent legitimate sales; and  
22 \$43,128,681 (\$47,512,530 - 4,383,849) represent illegitimate gains.  
23 Using Charter Pacific and Heartland Bank records as well as sample  
24 issuing bank data, Card Alert Services concludes that approximately  
25 \$2.3 million of the \$4,383,849 in "legitimate" sales resulted in  
26 chargebacks and credits to customers. (*Id.* at 2172.) The FTC  
27 contends that the most reasonable calculation of damages caused by the  
28

1 defendants' unlawful business practices is \$40.5 million.<sup>56</sup>

2  
3 <sup>56</sup> The FTC obtained this figure by the following calculation:  
4 approximately \$43.1 million in illegitimate gains (from the ATS  
5 Historical Database) + \$2.3 million estimated chargebacks and credits  
6 (per Card Alert Services) + \$1.9 million (the extra amount deposited  
7 into the merchant accounts but not reflected in the ATS Historical  
8 Database) - \$6.8 million (total chargebacks and credits to date (based  
9 on the merchant bank statements). Motion at 34-35. The Court  
10 questions the accuracy of this calculation. Card Alert Services  
11 reached the \$2.3 million chargebacks and credits figure after  
12 reviewing Charter Pacific and Heartland's records and sample issuing  
13 bank data. (CAS Report at 2172.) The \$6.8 million chargebacks and  
14 credits figure is obtained from the Receiver's review of the merchant  
15 bank statements. (Kane Decl. ¶¶ 4-5.) It therefore appears that the  
16 \$2.3 million figure should be subsumed in the \$6.8 million figure. In  
17 fact, the Court is puzzled as to why the FTC added the \$2.3 million in  
18 its calculation in the first place since this figure is supposed to  
19 represent the amount that has already been returned to cardholders via  
20 credits and chargebacks.  
21 During oral argument, the FTC's counsel explained that the \$2.3  
22 million chargebacks and credits are presumed to be illegitimate;  
23 therefore, the figure must be added to the damages calculation. The  
24 following is the Court's attempt to illustrate the FTC's calculation  
25 of damages:

26	ATS Historical Database	Merchant Accounts
27	\$47.5 mil. total processed	\$49.4 mil. total deposited
28	<u>&lt; 4.4 mil. &gt;</u> legit. sales	<u>&lt; 4.4 mil. &gt;</u> legit. sales
	43.1 mil.	45.0 mil.
	43.1 mil. illegit. sales	45.0 mil. illegit. sales
	+ 2.3 mil. presumed add'l	+ <u>2.3 mil.</u> presumed add'l
	illegit. sales (aka	illegit. sales (aka
	chargebacks & credits	chargebacks & credits
	from the \$4.4 mil.	from the \$4.4 mil.
	legit. sales)	legit. sales)
	+ <u>1.9 mil.</u> add'l bank deposits	47.3 mil. total illegit. sales
	47.3 mil. total illegit. sales	<u>&lt; 6.8 mil. &gt;</u> total chargebacks &
	<u>&lt; 6.8 mil. &gt;</u> total chargebacks &	credits (refunded to
	credits (refunded to	consumers)
	consumers)	<u>\$40.5 mil.</u> total damages
	<u>\$40.5 mil.</u> total damages	

27 However, there is a problem with the presumption that the \$2.3  
28 million represents additional illegitimate "sales." Since the FTC  
(continued...)

Defendants' Assets & Transfers of Assets

The details of the defendants' assets and transfers of assets (both prior to the commencement of this case and after the TRO was issued) are well documented in the FTC's Statement, Fact Nos. 104 to 127. Because these facts are not controverted by the defendants and are supported by the evidence,<sup>57</sup> the Court incorporates them by reference as though stated herein. A brief summary of the transfers, however, is warranted.

The defendants transferred much of the ill-gotten gains from their activities to off-shore accounts. Between July 24, 1997 and November 11, 1998, a total of \$25.3 million was transferred from the

<sup>56</sup>(...continued)  
linked \$4.4 million processed through the ATS Historical Database to presumably legitimate sales, the initial presumption concerning the \$2.3 million in chargebacks and credits should not be a presumption of illegitimacy, i.e., a presumption that they reflect fraudulent billing. Rather, unless there is evidence to the contrary, one should initially presume that the \$2.3 million simply reflects the ordinary refunds that customers obtain, e.g., they (1) changed their minds about subscribing to the defendants' web sites or (2) discovered that their children had used their credit/debit cards to subscribe to the web sites. See, e.g., Ball Depo. at 35 ("We would get general cancellation calls. . . . [Some people] had subscribed for a free month and did not realize that they were going to be charged from that point on"); 38 (some calls to customer service were from people who simply complained that the "wrong amount" had been charged); Pena Depo. at 340 (some people called to say "'my kid made this[;] I'm not going to pay it'"). The FTC has offered no evidence to support its claim that the \$2.3 million must be additional illegitimate "sales" merely because they resulted in chargebacks and credits. Accordingly, the Court remains dubious about the accuracy of the FTC's calculation.

<sup>57</sup> The only exception is Fact No. 125, which appears to contain an erroneous statement concerning the state of two properties -- the Zumirez Property and a property located at Rum Point, Georgetown in the Cayman Islands. Fact No. 125 states that these two properties are currently frozen. However, both the Motion and the evidence cited in Fact No. 125 indicate that these two properties have not yet been frozen. See Motion at 39; Kane Decl. at 1952.

1 defendants through accounts held in the names of JKP, Discreet Bill  
 2 and MJD to two entities -- Media Buying Service ("MBS") and Phaeton  
 3 Corporation ("Phaeton") -- over which Ken Taves had control. Both MBS  
 4 and Phaeton held accounts at Euro Bank in the Cayman Islands that were  
 5 directly or indirectly controlled by Ken Taves. The transfers to MBS  
 6 and Phaeton occurred either directly from the defendants to these  
 7 accounts or through an intermediary known as MultiMedia West. Since  
 8 January 7, 1999, the date the FTC served the defendants with the  
 9 complaint and TRO, the defendants have transferred or caused to be  
 10 transferred at least \$21.6 million from accounts in their names or  
 11 under their control to (1) other accounts in their name or in the name  
 12 of third parties which are affiliated with the defendants or under  
 13 their control; or (2) their former lawyers -- Sacks & Zweig and Fried,  
 14 Frank.<sup>58</sup>

15 Currently, the total known assets of the defendants covered by  
 16 the TRO and preliminary injunction order are worth approximately \$23.8  
 17 million. Of this total, around \$17.4 million is located in overseas  
 18 accounts which are currently frozen pursuant to legal actions taken by  
 19 the Receiver. In addition, around \$1.71 million is in frozen domestic  
 20 accounts and assets, which include a Cessna aircraft worth \$140,000.  
 21 The Receiver has also identified over \$4.5 million in assets that  
 22 appear to be covered by the TRO and Preliminary Injunction but have  
 23 not yet been frozen. These assets include the Zumirez Drive property  
 24 that was the subject of the May 1999 contempt hearings, a Cayman  
 25

26 <sup>58</sup> Fried, Frank has since returned the \$225,000 that it  
 27 received from the defendants' off-shore accounts. Sacks & Zweig,  
 28 however, has not returned the \$60,000 that it received. A motion for  
 an order to show cause why Lee Sacks should not be held in contempt is  
 currently pending before another judge in this district.

1 Island property, and \$1.25 million in overseas accounts held in the  
2 names of third parties.

### 3 III. Discussion

#### 4 A. Stay or Continuance of this Proceeding

##### 5 1. Fifth Amendment Right Against Self-Incrimination

6 Ken Taves asks the Court to stay these proceedings until his  
7 "pending criminal case" has been resolved or until "threat of any  
8 potential criminal prosecution no longer exists." Opp. at 8, 12. Ken  
9 Taves claims that he has asserted his Fifth Amendment right against  
10 self-incrimination because he is the "target of an active criminal  
11 prosecution arising from the same series of events that are at issue"  
12 in this case. *Id.* at 12. He argues that he cannot or should not be  
13 compelled to respond to the FTC's Statement because doing so would  
14 deprive him of his privilege against self-incrimination. At the same  
15 time, the corporate defendants contend that Ken Taves' inability to  
16 respond prevents them from opposing the Motion on the merits because  
17 Ken Taves is the only person with information that can assist their  
18 defense. Similarly, Teresa Taves argues that her husband's refusal to  
19 testify prevents her from properly opposing the Motion because he is  
20 her most important witness.

21 In general, the Constitution does not require a stay of civil  
22 proceedings pending the outcome of criminal proceedings. *Keating v.*  
23 *Office of Thrift Supervision*, 45 F.3d 322, 324 (9th Cir. 1995). "In  
24 the absence of substantial prejudice to the rights to the rights of  
25 the parties involved, [simultaneous] parallel [civil and criminal]  
26 proceedings are unobjectionable under our jurisprudence.'" *Id.*  
27 (quoting *Securities & Exchange Comm'n v. Dresser Indus.* ("Dresser"),  
28 628 F.2d 1368, 1374 (D.C. Cir. 1980)) (original brackets). The



1 decision whether to stay civil proceedings while a parallel criminal  
2 case is pending "is left to the sound discretion of the district  
3 court." IBM Corp. v. Brown, 857 F. Supp. 1384, 1487 (C.D. Cal. 1994)  
4 (citing Dresser, 628 F.2d at 1375). The court's determination turns  
5 upon the "particular circumstances and competing interests involved  
6 in the case." Keating, 45 F.2d at 324 (quoting Federal Sav. & Loan  
7 Ins. Corp. v. Molinaro, 889 F.2d 899, 902 (9th Cir. 1989)).

8 Specifically, the court should consider the following factors: 1) the  
9 interest of the plaintiff in proceeding expeditiously with this  
10 litigation and the potential prejudice to the plaintiff caused by a  
11 delay; 2) the burden which any particular aspect of the proceedings  
12 may impose on the defendant; 3) the convenience of the court in the  
13 management of its cases and the efficient use of judicial resources;  
14 4) the interests of persons or entities not parties to the civil  
15 litigation; and 5) the interest of the public in the pending civil and  
16 criminal litigation. Id. (citing Molinaro, 889 F.2d at 903).

17 First, the Court considers the FTC's interest in proceeding  
18 expeditiously with this litigation, along with the interests of third  
19 parties whose activities or lives would be affected by the outcome of  
20 this litigation. As the record in this case shows, Ken Taves has a  
21 history of hiding and attempting to dispose of his assets. See, e.g.,  
22 5/4/99 & 5/5/99 Orders Re Contempt. Indeed, since the date the  
23 defendants were served with the complaint and TRO, Ken and Teresa  
24 Taves have transferred at least \$21 million from accounts in their  
25 names or under their control to other accounts in their names or in  
26 the names of third parties who are affiliated with them or under their  
27 control. (FTC Statement, Fact No. 115.) Therefore, the FTC would be  
28 prejudiced by further delay. See Molinaro, 889 F.2d at 902. In

1 addition, the cardholder-victims' interests in recovering the money  
2 defrauded by the defendants weigh against a stay. *See id.* This is  
3 particularly true when the case has been pending for over a year.  
4 Moreover, third-party card-issuing banks, merchant banks, and card  
5 associations are also prejudiced by the delay to the extent that they  
6 have had to make payments to cardholders on the defendants' behalf and  
7 yet cannot pursue claims against the defendants during the pendency of  
8 the receivership.

9       Second, the Court considers its interest in clearing its docket  
10 and the efficient use of resources. This case is now over fifteen  
11 months old. Moreover, as another court observed, "[a] stay would  
12 disrupt the court's calendar by indefinitely postponing trial" as the  
13 parties and the Court wait for the outcome of the government's case  
14 against Ken Taves. *IBM Corp.*, 857 F. Supp. at 1392. The Court finds  
15 that these factors weigh against a stay.

16       Finally, the Court considers the burden on Ken Taves. In May  
17 1999, five months after the commencement of this action, the United  
18 States Attorney's Office issued a criminal complaint against Ken  
19 Taves.<sup>59</sup> However, the Court learned from the FTC's Reply that the  
20 government never indicted Ken Taves. Reply at 5. At the January 7,  
21 2000 hearing on former defense counsel's motion to withdraw, defense  
22 counsel advised the Court that Ken Taves has been incarcerated at the  
23 MDC, since June or July 1999, solely on the Court's civil contempt  
24 orders. Because the Court did not hear otherwise from the parties, it  
25 proceeded to resolve this Motion with the understanding and belief  
26

---

27       <sup>59</sup> The complaint was filed against Ken Taves on May 4, 1999.  
28 He was arrested the same day.

1 that to date, there has been no operative criminal complaint,  
2 information or indictment filed against Ken Taves.<sup>60</sup>

3 The Court was dismayed, to put it mildly, when its court staff  
4 discovered well after the close of business on March 31, 2000, the  
5 Friday before the hearing on the Motion, that the criminal docket  
6 reveal: (1) an indictment was filed against Ken Taves on February 29,  
7 2000, charging Ken Taves with one count of criminal contempt under 18  
8 U.S.C. § 401, and one count of false statement under 18 U.S.C. § 1001;  
9 and (2) Ken Taves entered a plea of not guilty on both counts on March  
10 6, 2000. See Criminal Docket for United States v. Kenneth H. Taves,  
11 Case No. CR 00-187.<sup>61</sup> Nevertheless, the Court concludes that this  
12 factor -- the burden on Ken Taves -- does not require the Court to  
13 stay this civil action.

14 As stated by the district court in IBM Corp. v. Brown:  
15 [T]he contention that being forced to choose between the  
16 compulsion to testify in a civil suit in order to avoid an  
17 adverse result on the merits undermines the right to remain  
18 silent in a criminal matter, while having surface appeal,  
19 will not stand analysis. While the choice between  
20

21 <sup>60</sup> The Court advised the parties of this understanding in the  
22 February 8, 2000 minute order. See 2/8/00 Minute Order ("The Court is  
23 aware that Defendant Taves is currently incarcerated solely for  
24 contempt of court. . . . Under the circumstances, the Court intends  
25 to consider these motions as soon as possible and plans to give them  
26 priority over other civil motions on the calendar"). The Court also  
27 indicated that it might resolve the motions on the papers without oral  
28 argument. See *id.* ("If the Court decides that oral argument would  
assist the Court, the Court will notify the parties . . .").

<sup>61</sup> Although none of the parties advised the Court of these  
facts, the Court hereby takes judicial notice of the information  
contained in the criminal dockets of the Central District of  
California. See Fed. R. Evid. 201.

1       testifying or invoking the Fifth Amendment may be difficult,  
 2       . . . it does not create the basis for a stay.  
 3       857 F. Supp. at 1389 (quotations omitted). Here, the fact that Ken  
 4       Taves has invoked his Fifth Amendment privilege does not, by itself,  
 5       create a basis for stay. The Ninth Circuit recognizes that "[a]  
 6       defendant has no absolute right not to be forced to choose between  
 7       testifying in a civil matter and asserting his Fifth Amendment  
 8       privilege." Keating, 45 F.3d at 326. Indeed, "[n]ot only is it  
 9       permissible to conduct a civil proceeding at the same time as a  
 10      related criminal proceeding, even if that necessitates invocation of  
 11      the Fifth Amendment privilege, but it is even permissible for the  
 12      trier of fact to draw adverse inferences from the invocation of the  
 13      Fifth Amendment in a civil proceeding." Id. (citing Baxter v.  
 14      Palmigiano, 425 U.S. 308, 318 (1976)).

15      In addition, the burden on Ken Taves' Fifth Amendment privilege  
 16      is minimal here. The criminal charges relate to acts that occurred  
 17      after the commencement of this civil case. Count One of the  
 18      indictment alleges that "[o]n or about April 26, 1999," Ken Taves  
 19      "knowingly and willfully" violated the Court's TRO and preliminary  
 20      injunction order "by maintaining with Euro Bank Corporation, George  
 21      Town, Grand Cayman, accounts in his own name, and accounts which he  
 22      controlled in the names of [others], and failing to transfer the funds  
 23      on deposit in such accounts to an account in the United States . .  
 24      . ." Indictment, United States v. Kenneth H. Taves, at ¶ 4.<sup>62</sup> Count  
 25

26      <sup>62</sup> During oral argument, the Court asked counsel for a copy of  
 27      the indictment. After the hearing, the FTC submitted a copy of the  
 28      indictment to the Court pursuant to the Court's request. The Court  
 hereby takes judicial notice of the indictment. See Fed. R. Evid. 201.

1 Two alleges that "[o]n or about January 9, 1999," Ken Taves "knowingly  
 2 and willfully" made a false representation to the FTC by submitting "a  
 3 financial statement under penalty of perjury that was materially  
 4 false, in that it failed to disclose that [Ken Taves] held or  
 5 controlled accounts at Euro Bank Corporation . . . which had on  
 6 deposit approximately \$25.3 million." *Id.* at ¶ 6. The central issues  
 7 in the criminal case (e.g., whether Ken Taves violated the Court's  
 8 orders or made a false statement to the FTC after this action was  
 9 filed) appear unrelated to the central issues in the underlying civil  
 10 case (e.g., whether Ken Taves and the other defendants' actions prior  
 11 to the commencement of this case constitute unfair and deceptive  
 12 business practices). Therefore, there is little, if any, need for Ken  
 13 Taves to invoke his Fifth Amendment privilege with respect to  
 14 questions concerning his actions prior to January 6, 1999.

15 Even if there remains some overlap between the present criminal  
 16 and civil proceedings (i.e., the government decides to bring  
 17 additional criminal charges against Ken Taves that arise from the  
 18 activities at issue here), the Court stills finds that the burden on  
 19 Ken Taves' Fifth Amendment privilege, if forced to testify in this  
 20 case, is minimal. As the record shows, Ken Taves has testified at a  
 21 deposition and submitted sworn statements in prior proceedings in this  
 22 case. Where a defendant already has provided deposition testimony on  
 23 substantive issues of the civil case, any burden on that defendant's  
 24 Fifth Amendment privilege is "negligible." *Molinaro*, 889 F.2d at 903;  
 25 *see IBM Corp.*, 857 F. Supp. at 1390. Moreover, nothing prevents Ken  
 26 Taves (and the other defendants purportedly dependant on him) from  
 27 responding with information that does not tend to incriminate him,  
 28 e.g., business records that show his companies were legitimate

1 operations. Further, Ken Taves and the other defendants "have made no  
 2 effort to demonstrate to the court how truthful testimony [possibly]  
 3 subject to [Ken Taves' Fifth Amendment] privilege in this case could  
 4 be helpful to [them] in their defense on the merits." *IBM Corp.*, 857  
 5 F. Supp. at 1390. Under the circumstances, any difficulty that Ken  
 6 Taves may encounter from testifying and any difficulty that the other  
 7 defendants may encounter from Ken Taves' decision to remain silent do  
 8 not outweigh the other interests favoring denial of the stay  
 9 request.<sup>63</sup> After considering all the factors, the Court denies the  
 10 defendants' request for a stay.

11 **B. Continuance Pursuant to Rule 56(f).**

12 Ken Taves and the corporate defendants also request, in the  
 13 alternative, that the Court continue or deny the Motion (presumably  
 14 without prejudice) pursuant to Federal Rule of Civil Procedure 56(f).  
 15 The defendants' request is without merit.

16 Rule 56(f) provides that:

17 Should it appear from the affidavits of a party opposing the  
 18 motion that the party cannot for reasons stated present by  
 19 affidavit facts essential to justify the party's opposition,  
 20 the court may refuse the application for judgment or may  
 21 order a continuance to permit affidavits to be obtained or

22 //

23  
 24 <sup>63</sup> Ken Taves' reliance on the Court's July 20, 1999 order  
 25 staying discovery against him is misplaced. At the time, the case was  
 26 only seven months old. See 7/20/99 Minute Order at 4 ("At this point,  
 27 the Court's docket is not really a factor in terms of the effects of a  
 28 delay"). Simply put, the circumstances have changed in the ensuing  
 eight months. See *Molinaro*, 889 F.2d at 903 (A district court must  
 consider the "circumstances presented to [it] when the motion [to  
 stay] was made").

1 depositions to be taken or discovery to be had or may make  
2 such other order as is just.  
3 Fed. R. Civ. P. 56(f). The party seeking additional time for  
4 discovery under Rule 56(f) must, among other things, articulate a  
5 plausible basis for believing that specific discoverable facts exist  
6 which, if adduced, will give rise to genuine issues of material fact.  
7 See, e.g., C.B. Trucking, Inc. v. Waste Management, Inc., 137 F.3d 31,  
8 44 (1st Cir. 1998); Committee for the First Amendment v. Campbell, 962  
9 F.2d 1517, 1522 (10th Cir. 1992); International Shortstop, Inc. v.  
10 Rally's, Inc., 939 F.2d 1257, 1266-67 (5th Cir. 1991); Airs Int'l  
11 Inc. v. Perfect Scents Distributions, Ltd., 902 F. Supp. 1141, 1145  
12 (N.D. Cal. 1995). Ken Taves and the corporate defendants do not even  
13 attempt to make such showing. See Opp. at 12-13. They simply contend  
14 that they need a continuance until Ken Taves' pending criminal  
15 investigation is resolved so that he "may then be able to respond on  
16 his own behalf and on behalf of the corporate defendants." *Id.* In  
17 other words, this Rule 56(f) request is based solely on Ken Taves'  
18 continued assertion of the Fifth Amendment privilege. This is  
19 improper. Moreover, as stated by another court in a similar  
20 situation: "'There is no reason to grant a continuance to a litigant  
21 who has personal and intimate knowledge of the underlying facts for  
22 the purported purpose of conducting discovery to ascertain those  
23 identical facts.'" United States v. Private Sanitation Indus. Ass'n  
24 of Nassau/Suffolk, Inc., 899 F. Supp. 974, 984 (E.D.N.Y. 1994) (civil  
25 RICO action involving a defendant who invoked the Fifth Amendment  
26 //  
27 //  
28

1 | privilege with respect to the underlying facts).<sup>64</sup> The Court denies  
2 | the request for a Rule 56(f) continuance.

3 | **B. Summary Judgment Standard**

4 |       The party who moves for summary judgment has the burden of  
5 | establishing that there is "no genuine issue of material fact, and  
6 | that the moving party is entitled to judgment as a matter of law."  
7 | Fed. R. Civ. P. 56(c); British Airways Bd. v. Boeing Co., 585 F.2d  
8 | 946, 951 (9th Cir. 1978). If the moving party has the burden of proof  
9 | at trial -- the plaintiff on a claim for relief, or the defendant on  
10 | an affirmative defense -- the moving party must make a showing  
11 | sufficient for the court to hold that no reasonable trier of fact  
12 | could find other than for the moving party. Calderone v. United  
13 | States, 799 F.2d 254, 259 (6th Cir. 1986) (citing W. Schwarzer,  
14 | Summary Judgment Under the Federal Rules: Defining Genuine Issues of  
15 | Material Fact, 99 F.R.D. 465, 487-88 (1984)). This means that if the  
16 | moving party has the burden of proof at trial, that party "must  
17 | establish beyond peradventure all of the essential elements of the  
18 | claim or defense to warrant judgment in [that party's] favor."  
19 | Fontenot v. Upjohn Co., 780 F.2d 1190, 1194 (5th Cir. 1986) (original  
20 | emphasis). Furthermore, the court must view the evidence presented to  
21 | establish these elements "through the prism of the substantive  
22 | evidentiary burden." Anderson v. Liberty Lobby, Inc., 477 U.S. 242,  
23 | 252 (1986).

24 |  
25 |       <sup>64</sup> The Court notes that its July 20, 1999 order only stayed  
26 | discovery -- interrogatories and depositions -- against Ken Taves.  
27 | See 7/20/99 Minute Order at 5. Nothing prevented Ken Taves and the  
28 | other defendants from conducting discovery, to the extent anything  
beyond their knowledge or control may be necessary to adequately  
defend this case.



1        If the opponent has the burden of proof at trial, then the moving  
 2 party has no burden to negate the opponent's claim. Calotex Corp. v.  
 3 Carreth, 477 U.S. 317, 323 (1986). In other words, the moving party  
 4 does not have the burden to produce any evidence showing the absence  
 5 of a genuine issue of material fact. Id. at 325. "Instead, . . . the  
 6 burden on the moving party may be discharged by 'showing' -- that is,  
 7 pointing out to the district court -- that there is an absence of  
 8 evidence to support the nonmoving party's case." Id.

9        Once the moving party satisfies this initial burden, "an adverse  
 10 party may not rest upon the mere allegations or denials of the adverse  
 11 party's pleadings . . . [T]he adverse party's response . . . must set  
 12 forth specific facts showing that there is a genuine issue for trial."  
 13 Fed. R. Civ. P. 56(e) (emphasis added). A "genuine issue" of material  
 14 fact exists only when the nonmoving party makes a sufficient showing  
 15 to establish an essential element to that party's case, and on which  
 16 that party would bear the burden of proof at trial. Calotex, 477 U.S.  
 17 at 322-23. "The mere existence of a scintilla of evidence in support  
 18 of the plaintiff's position will be insufficient; there must be  
 19 evidence on which a reasonable jury could reasonably find for  
 20 plaintiff." Anderson, 477 U.S. at 252. The evidence of the nonmovant  
 21 is to be believed, and all justifiable inferences are to be drawn in  
 22 his favor. Id. at 248; Griffeth v. Utah Power & Light Co., 226 F.2d  
 23 661, 669 (9th Cir. 1955).

#### 24    C.    Unfair Practices

25        Section 13(b) of the FTC Act provides that the FTC may obtain a  
 26 permanent injunction against practices that violate the FTC Act. ETC  
 27 v. Pantroln I Corp., 33 F.3d 1088, 1102 (9th Cir. 1994). In addition,  
 28 section 13(b) gives the courts the "authority to grant any ancillary

1 relief necessary to accomplish complete justice.'" Id. Such  
2 ancillary relief includes an order for restitution. Id.

3 1. Liability for Unfair Practices

4 Section 5 of the FTC Act prohibits "unfair or deceptive practices  
5 in or affecting commerce[.]" 15 U.S.C. § 45(a). An act or practice  
6 is unfair if it "causes or is likely to cause substantial injury to  
7 consumers which is not reasonably avoidable by consumers themselves  
8 and not outweighed by countervailing benefits to consumers or to  
9 competition." 15 U.S.C. § 45(n); accord Orkin Exterminating Co., Inc.  
10 v. FTC, 849 F.2d 1354, 1363-66 (11th Cir. 1988); FTC v. Windward  
11 Marketing, Ltd., 1997 U.S. Dist. LEXIS 17114, \*29-30 (N.D. Ga. Sept.  
12 30, 1997). Thus, to find unfairness, the injury must satisfy three  
13 tests: (1) it must be substantial; (2) it must not be outweighed by  
14 countervailing benefits to consumers or competition; and (3) it must be  
15 one that consumers themselves could not reasonably have avoided.  
16 Orkin Exterminating Co., 849 F.2d at 1364 (citing FTC's 1980 Policy  
17 Statement); Windward Marketing, 1997 U.S. Dist. LEXIS 17114, \*30-31.  
18 One district court has found that debiting consumers' bank accounts  
19 without the consumers' authorization constitutes an unfair practice  
20 under the FTC Act. Windward Marketing, 1997 U.S. Dist. LEXIS 17114,  
21 \*37-38.

22 The substantial injury prong can be satisfied if the FTC  
23 establishes that consumers were injured by a practice for which they  
24 did not bargain. Id. at \*31; cf. Orkin Exterminating Co., 849 F.2d at  
25 1364-65. Injury may be sufficiently substantial if it causes a small  
26 harm to a large class of people. Windward Marketing, 1997 U.S. Dist.  
27 LEXIS 17114, \*31-32 (citing American Fin. Servs. v. FTC, 767 F.2d 957,  
28 972 (D.C. Cir. 1985)). The second prong of the test is easily

1 satisfied "when a practice produces clear adverse consequences for  
 2 consumers that are not accompanied by an increase in services or  
 3 benefits to consumers or by benefits to competition." *Id.* at \*32; *cf.*  
 4 *Orkin Exterminating Co.*, 849 F.2d at 1365. With regard to the third  
 5 prong of the test, the focus is on "whether consumers had a free and  
 6 informed choice that would have enabled them to avoid the unfair  
 7 practice." *Windward Marketing*, 1997 U.S. Dist. LEXIS 17114, \*32  
 8 (citing *American Fin. Services*, 767 F.2d at 976); accord *Orkin*  
 9 *Exterminating Co.*, 849 F.2d at 1365. "Consumers may act to avoid  
 10 injury before it occurs if they have reason to anticipate the  
 11 impending harm and the means to avoid it, or they may seek to mitigate  
 12 the damage afterward if they are aware of potential avenues toward  
 13 that end." *Orkin Exterminating Co.*, 849 F.2d at 1365 (quoting *FTC v.*  
 14 *Orkin Exterminating Co.*, 108 F.T.C. 341, 356 (1986)).

15 a. Corporate Defendants JKP, Herbal Care and MJD

16 (1) Common Enterprise

17 Preliminarily, the Court addresses whether the corporate  
 18 defendants operated a common enterprise. In the arguments portion of  
 19 the Motion, the FTC does not make a distinction between Herbal Care,  
 20 on the one hand, and JKP and MJD, on the other.<sup>65</sup> The FTC contends  
 21 that the defendants should be held liable as a common enterprise  
 22 because no distinction exists among these entities. Motion at 47;  
 23 *see, e.g., Delaware Watch Co. v. FTC*, 332 F.2d 745, 746 (2d Cir. 1964)  
 24 (where "the same individuals were transacting an integrated business  
 25 through a maze of interrelated companies[,] . . . 'the pattern and  
 26

27 <sup>65</sup> As noted in the facts section, Herbal Care's only "business"  
 28 in 1997 and 1998 consisted of paying the salaries of JKP employees,  
 purportedly after JKP transferred money to Herbal Care.

1 frame-work of the whole enterprise must be taken into consideration"  
 2 and the companies may be held liable as a joint enterprise); FTC v.  
 3 Wolf, 1996 WL 812940, \*8, 1997-1 Trade Cases ¶ 71,713 (S.D. Fla. Jan.  
 4 31, 1996) (a common enterprise exists where "the thirty corporate  
 5 defendants are commonly controlled, share office space and officers,  
 6 conduct their business through a maze of interrelated companies,  
 7 commingle corporate funds, and . . . [n]othing in the evidence shows  
 8 a real distinction between the corporate defendants"). Defendants  
 9 found to be a common enterprise are held "jointly and severally liable  
 10 for the injury caused by their violations of the FTC Act . . . ."  
 11 Wolf, 1996 WL 812940, \*8.

12 The Court agrees that Herbal Care, JKP and MJD were part of a  
 13 common enterprise. The uncontroverted facts show that the corporate  
 14 defendants were under the common control of Ken Taves, shared office  
 15 space, employees, and officers, and conducted their businesses through  
 16 "a maze of interrelated companies" purportedly operating the same web  
 17 sites. In sum, the evidence shows there was no real distinction among  
 18 the companies. Therefore, to the extent that JKP and MJD are found to  
 19 have violated the FTC Act, Herbal Care will be held jointly and  
 20 severally liable.

21 (2) The Unfair Practices

22 In this case, the corporate defendants essentially concede that  
 23 they engaged in unfair business practices in violation of the FCT Act.  
 24 MJD filed no opposition to the Motion. Herbal Care and JKP did not  
 25 even attempt to argue that the uncontroverted facts do not show that  
 26 the defendants' activities constitute unfair practices. Nevertheless,  
 27 for the sake of establishing a complete record, the Court will briefly  
 28 discuss the corporate defendants' liability for unfair practices.

1       Even without relying on the ATS Historical Database, the  
2       uncontroverted evidence overwhelmingly demonstrates that the  
3       defendants participated in a billing scheme by submitting unauthorized  
4       charges for processing. Some of the key facts are highlighted below:

- 5       •     The corporate defendants are interrelated entities that  
6             shared a common enterprise.
- 7       •     In a single year, the corporate defendants utilized at  
8             least five different merchant accounts and four  
9             fictitious business names to process over \$40 million  
10            in credit and debit card transactions.
- 11       •     The timing of each new merchant account application  
12             coincides with the impending threat of being placed on  
13             Visa USA's "active monitoring" list for excessive  
14             chargebacks.
- 15       •     Ken Taves began transmitting thousands of supposedly  
16             authorized debit/credit card numbers to ATS for  
17             processing around the same time JKP/Netfill obtained  
18             access to the Charter Pacific Positive Database.
- 19       •     From November 1997 through December 1998, the  
20             defendants had access to more than 3 million valid Visa  
21             and Mastercard credit card numbers from the Charter  
22             Pacific Positive Database.
- 23       •     By submitting the charges and debits for processing,  
24             the defendants represented to the issuing/merchant  
25             banks that they obtained authorization from the  
26             cardholders for the charges and debits.

27    //  
28    //

- 1 • An untold number of consumers could not reach a live
- 2 customer service representative from the defendant
- 3 companies to relay their complaints.
- 4 • At one point, the defendants' customer service
- 5 department received thousands of consumer complaint
- 6 calls a day.
- 7 • More than 50% of the calls received by the customer
- 8 service department were from people who said they did
- 9 not order anything from the defendants and had no idea
- 10 why they were billed.
- 11 • A shocking 40% to 50% of the calls received by the
- 12 defendants were from people who said they did not have
- 13 a computer and had not given their card numbers to
- 14 anyone.
- 15 • Approximately 7.3% of the Visa card transactions
- 16 submitted by the corporate defendants in 1998 resulted
- 17 in chargebacks. This figure reflects over 120,000 Visa
- 18 card chargebacks totaling over \$2.6 million.
- 19 • The defendants' merchant bank statements show
- 20 approximately \$6.8 million in chargebacks and credits
- 21 have been processed. This amount represents 13.8% of
- 22 all "sales" proceeds deposited into the defendants'
- 23 merchant accounts.
- 24 As the Program Manager of Visa USA's Merchant Chargeback
- 25 Monitoring Program aptly puts it:
- 26 The combination of very high chargeback rates, merchant name
- 27 changes, unanswered telephone calls to customer service, the
- 28 pattern of chargebacks among the Taves-affiliated entities

1 over time, and customer complaints of unauthorized charges  
 2 by a series of Taves-affiliated merchants [leads one to  
 3 conclude that the defendant businesses were committing fraud  
 4 against innocent cardholders.]  
 5 (Elliott Decl. ¶ 19.) Moreover, the only reasonable inference the  
 6 Court can draw from the corporate defendants' access to the Charter  
 7 Pacific Positive Database and the timing of the defendants' fraudulent  
 8 billing practices is that the defendants stole and processed Visa and  
 9 MasterCard numbers from the database. Further, the Court finds that  
 10 the complete absence of the ordinary indicia of a legitimate business,  
 11 much less a high volume credit/debit card-dependent Internet business,  
 12 for companies that supposedly processed over \$49 million in sales in a  
 13 single year, is further evidence that the defendant companies did not  
 14 run legitimate operations.<sup>66</sup> In the absence of any evidence offered  
 15 by the defendants to controvert these facts, the Court concludes as a  
 16 matter of law that (1) defendants JKP, Herbal Care and MJD engaged in  
 17 the unfair practice of operating a fraudulent scheme by which they  
 18 debited and charged card numbers without the cardholders'  
 19 authorization; (2) such practice resulted in substantial injury; and  
 20 (3) the practice was not outweighed by any benefits to consumers or  
 21 competition.

22 **b. Individual Defendants**

23 Individual defendants may be held liable for injunctive relief  
 24 for the corporate defendants' violations of the FTC Act if the FTC  
 25

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26 <sup>66</sup> Such records include, for example: customer lists; customer  
 27 e-mail or street addresses; and transaction records showing  
 28 credit/debit card numbers linked with customer names, authorization  
 codes, and web sites used.

1 demonstrates that the individual defendants participated directly in  
 2 the wrongful acts or practices or had authority to control the  
 3 corporations. FTC v. Publishing Clearing House, Inc., 104 F.3d 1168,  
 4 1170 (9th Cir. 1997) (citing FTC v. American Standard Credit Sys.  
 5 Inc., 874 F. Supp. 1080, 1087 (C.D. Cal. 1994)). "Authority to  
 6 control the company can be evidenced by active involvement in business  
 7 affairs and the making of corporate policy." American Standard Credit  
 8 Sys., 874 F. Supp. at 1089 (citing FTC v. Amy Travel Service, Inc.,  
 9 875 F.2d 564, 573-74 (7th Cir. 1989)). An individual's status as a  
 10 corporate officer and authority to sign documents on behalf of the  
 11 corporate defendant can be sufficient to demonstrate the requisite  
 12 control. Publishing Clearing House, 104 F.3d at 1170.

13 To be held liable for restitution, the FTC must show, in addition  
 14 to the above, that the individual defendants had knowledge that the  
 15 corporation or one of its agents engaged in the wrongful acts or  
 16 practices. Id. at 1171. To satisfy the knowledge requirement, the  
 17 FTC must establish that the individual defendant either: (1) had  
 18 actual knowledge of the wrongful acts or practices; (2) was recklessly  
 19 indifferent to whether or not the corporate acts or practices were  
 20 fraudulent; or (3) had an awareness of a high probability that the  
 21 corporation was engaged in fraudulent practices along with an  
 22 intentional avoidance of the truth. See id. (citing American Standard  
 23 Credit Sys., 874 F. Supp. at 1089) (individual liability for  
 24 misrepresentations or deceptive practices under the FTC Act); Windward  
 25 Marketing, 1997 U.S. LEXIS 17114, \*39 (individual liability for unfair  
 26 practices under the FTC Act). The FTC does not need to show that an  
 27 individual defendant intended to defraud consumers in order to hold  
 28 //



1 that individual personally liable. Publishing Clearing House, 104  
2 F.3d at 1171.

3 (1) Ken Taves

4 The undisputed facts set forth above show without a doubt that  
5 Ken Taves actively participated in the unlawful practices, controlled  
6 the day-to-day operations of the corporate defendants, and had actual  
7 knowledge of the unlawful practices. Indeed, the record shows that he  
8 is the key player in the billing scheme -- the common denominator that  
9 ties all the pieces of the puzzle together. The Court finds that the  
10 FTC has established that (1) Ken Taves is individually and jointly  
11 liable for the corporate defendants' unfair practices;<sup>67</sup> and (2) the  
12 FTC may obtain injunctive relief against and restitution from Ken  
13 Taves.

14 (2) Teresa Taves

15 Teresa Taves' opposition argues that genuine issues of material  
16 fact issues exist as to whether Teresa Taves has the sufficient degree  
17 of involvement and/or knowledge of the alleged unlawful practices.  
18 The Opposition identifies portions from the deposition testimony of  
19 Randall Ball, David Goldfarb, Robert Carr, Michael Kenner and, of  
20

21 <sup>67</sup> Although the FTC does not expressly make this argument in  
22 the Motion, the Court finds that Ken Taves is directly liable for his  
23 own unfair practices. See Windward Marketing, 1997 U.S. Dist. LEXIS  
24 17114, \*38 ("individual defendants are directly liable for their own  
25 violations"); 15 U.S.C. § 45(a)(2) ("The [FTC] is . . . empowered and  
26 directed to prevent persons, partnerships, or corporations . . . from  
27 using unfair or deceptive acts or practices in or affecting commerce")  
28 (emphasis added); Amended Complaint (Ken Taves is sued individually  
and as an officer of the defendant companies). The undisputed facts  
establish that (1) Ken Taves engaged in the unfair practice of  
operating a fraudulent scheme by which he debited and charged card  
numbers without the cardholders' authorization; (2) such practice  
resulted in substantial injury; and (3) the practice was not  
outweighed by any benefits to consumers or competition.

1 course, Teresa Taves, to show that Teresa Taves had little involvement  
2 with the daily operations of JKP and little or no knowledge of the  
3 contents of the documents that she signed. As the Court noted in the  
4 summary of facts section, these facts are really not in dispute.  
5 After thoroughly evaluating the evidence, the Court finds that the FTC  
6 is entitled to summary judgment against Teresa Taves.

7 The FTC relies on Publishing Clearing House, 104 F.3d 1168, in  
8 support of its argument that Theresa Taves should be held liable for  
9 the misconduct of the corporate defendants. Motion at 50-51. In  
10 Publishing Clearing House, the FTC sued Publishing Clearing House  
11 ("PCH"), a telemarketing business operated by an individual named  
12 Robbin McLaurin, for violating section 5 of the FTC Act. Working from  
13 a script, PCH's telephone solicitors told people that they had won one  
14 of several prizes. 104 F.3d at 1169. The solicitors then told the  
15 potential consumers that they could claim the prizes by making a tax-  
16 deductible donation to one of two charities, one of which was H.O.P.E.  
17 Id. The PCH solicitors made numerous misrepresentations to consumers  
18 upon which the consumers relied to their detriment.

19 Defendant Lorin Martin became the president of PCH at the  
20 direction of McLaurin. Id. As president of PCH, Martin applied for  
21 PCH's business licence. Id. Acting on behalf of PCH, she also signed  
22 an agreement with H.O.P.E. Id. at 1171. In addition, H.O.P.E.'s  
23 application to conduct charitable solicitation listed Martin as the  
24 individual "in direct charge of conducting the solicitation." Id.  
25 She worked at PCH's offices for only one week, answering telephone  
26 calls and handling routine office duties. Id.

27 On the FTC's summary judgment motion, the district court held  
28 that Martin, as president of PCH, was individually and jointly liable

1 with PCH for the over \$360,000 that consumers had donated.<sup>68</sup> *Id.* at  
 2 1170. The district court ordered restitution of that amount and  
 3 permanently enjoined PCH and Martin. *Id.* Martin appealed. *Id.* The  
 4 Ninth Circuit rejected Martin's argument and affirmed the district  
 5 court's order granting summary judgment.

6 First, the Ninth Court found that "Martin's assumption of the  
 7 role of president of PCH and her authority to sign documents on behalf  
 8 of the corporation demonstrate that she had the requisite control over  
 9 the corporation." *Id.* at 1171. The court reached this ruling because  
 10 Martin had offered no evidence to controvert the FTC's showing of  
 11 control. *Id.*<sup>68</sup>

12 Second, in determining whether Martin had the requisite  
 13 knowledge, the Ninth Circuit specifically noted that Martin had  
 14 previously worked for McLaurin as a telephone solicitor at the  
 15 National Clearing House ("NCH"), another telemarketing operation  
 16 formerly operated by McLaurin. *Id.* at 1170, 1171. NCH had ceased  
 17 operations due to criminal fraud investigations. *Id.* at 1170. PCH  
 18

19 <sup>68</sup> Specifically, Martin argued that she filed PCH's business  
 20 application as the president of PCH "only because McLaurin had  
 21 convinced her that he could not legally open a telemarketing business  
 22 in his name due to pending criminal charges." *Id.* She also argued  
 23 that she only answered telephones for a week at PCH, which should  
 24 negate the evidence on control. *Id.*

25 The court noted that:

26 However, other than statements in the appellate brief,  
 27 Martin has never offered any evidence to support these  
 28 factual assertions. Her affidavit filed in opposition to  
 summary judgment made no mention of these facts. . . .  
 [C]onclusory, self-serving statements in appellate briefs .  
 . . . are insufficient to create a genuine issue of material  
 fact.

29 *Id.*

1 telephone solicitors used a script that was practically identical to  
2 the script used by NCH. Id. Thus, the record showed that Martin  
3 acted on behalf of PCH at the direction of someone she knew was facing  
4 criminal charges concerning similar telemarketing activities. Based  
5 on this background, the court found that Martin was "at least  
6 recklessly indifferent with regard to the truth or falsity of the  
7 misrepresentations made by PCH employees." Id.

8       Here, the Court finds that the case against Teresa Taves is more  
9 compelling than the case against Martin in Publishing Clearing House,  
10 but not on the same grounds reached in that case. On the issue of  
11 authority to control, a genuine issue of material fact may exist.  
12 Unlike Publishing Clearing House, here, Teresa Taves does offer some  
13 evidence in the form of deposition testimony concerning her alleged  
14 lack of control over JKP's operations. However, whether such evidence  
15 creates a genuine issue of fact for trial need not be answered by the  
16 Court. As stated in the legal section, supra, the FTC need not show  
17 authority to control to prevail on this element. Alternatively, if  
18 the undisputed facts show that Teresa Taves participated directly in  
19 the wrongful acts or practices, she can be held individually liable  
20 for JKP's unfair practices.

21       Like Martin in Publishing Clearing House, Teresa Taves was an  
22 officer of a defendant corporation who signed documents on behalf of  
23 the corporation. But Teresa Taves' involvement as an officer of JKP  
24 was not as limited as Martin's involvement as an officer in PCH.  
25 Teresa Taves was not an officer in name only; JKP was the Taveses'  
26 company. From the time of their marriage to the end of 1998, Teresa  
27 Taves had worked in companies owned by her husband or the two of them.  
28 While she was not active in the day-to-day operations of the

1 companies, she did draw a salary. Indeed, in 1998 alone, she was paid  
2 around \$1.7 million by Herbal Care for her role as an owner and  
3 officer of JKP. The fact that she claims she did not know how this  
4 sum was calculated is irrelevant.

5 In addition, Teresa Taves actively participated in certain acts  
6 crucial to the success of JKP/Netfill's billing scheme, namely, using  
7 her credit to obtain merchant bank accounts at Charter Pacific and  
8 Heartland and signing the agreement to purchase the Charter Pacific  
9 Positive Database. The record shows that Charter Pacific had  
10 previously rejected Ken Taves' application for a merchant bank account  
11 because of his bad credit record. In approving the merchant bank  
12 applications, the banks relied on Teresa Taves' credit history and the  
13 representations made in the numerous accompanying documents that she  
14 signed.<sup>69</sup> These merchant account applications enabled the company  
15 that she owned with her husband to perpetrate the fraud against  
16 innocent cardholders. Also, Charter Pacific's acceptance of JKP's  
17 application enabled JKP to purchase Charter Pacific's credit card  
18 database. Absent evidence to the contrary, the corporate defendants'  
19 access to the 3 million valid Visa/MasterCard credit card numbers in  
20 this database was a necessary part of the billing scheme. In sum,  
21 Teresa Taves played an integral role in the commitment of unfair  
22 practices by the corporate defendants.

23 The heart of her argument is that she had no knowledge of the  
24 nature of her participation and the illegal activities of the other  
25 defendants. She attempts to hide behind the shield erected by her  
26

27  
28 <sup>69</sup> The Court does not rely on the two documents that Teresa  
Taves claims may not contain her signature. See T. Taves Opp. at 7.

1 claims that she did not read the documents that she signed. For  
2 purposes of the summary judgment motion, the Court accepts as true  
3 that she did not read most of the documents that she signed.<sup>70</sup>  
4 Nevertheless, as the Court detailed in the factual background section,  
5 *supra*, the evidence does show she was aware of the nature of JKP's  
6 businesses, the necessity of merchant bank accounts, and the nature of  
7 her participation.

8 Moreover, similar to Martin in *Publishing Clearing House*, Teresa  
9 Taves "acted at the direction of someone she knew" had previously run  
10 into trouble with the law. Teresa Taves admitted that she knew,  
11 before 1995, that her husband had faced a murder charge in 1988  
12 involving a victim who was a financial or business associate. She  
13 also admitted that she knew, before 1995, that her husband had some  
14 unspecified criminal problems before they were married. Additionally,  
15 she signed numerous contracts, bank documents and letters making  
16 various warranties and representations on behalf of JKP without  
17 reading the contents of the documents. Having worked in a bank for  
18 five years, working first as a teller, then a chief teller and later  
19 in the loan department, Teresa Taves must have been aware of the legal  
20 significance of her actions. She certainly had ample opportunity to  
21 review the details of all the documents that she signed. Indeed, by  
22 simply reading the May 22, 1998 letter to Charter Pacific that she  
23 signed, she would have learned that JKP/Netfill was closing the  
24 account because it needed to "implement better fraud control systems  
25

26 <sup>70</sup> Given that she was aware that she submitted merchant bank  
27 applications on behalf of JPK, she must have "read" some of the  
28 relevant documents, even if just to glance at the headings, to reach  
that conclusion. See text, *supra*, at 11-12.

1 and procedures." (T. Taves Depo. at 768-69 [authenticating  
2 signature], 868 [letter].) The fact that she had just applied for the  
3 Heartland merchant account shortly before sending this letter  
4 certainly should have raised a red flag as to JKP's activities. She  
5 had ample opportunity to take action and discover the fraud. But she  
6 intentionally avoided learning the truth, comfortable with the huge \$4  
7 million income that her family suddenly "earned" after years of failed  
8 business ventures. Based on the undisputed facts, the Court finds as  
9 a matter of law that Teresa Taves was, at a minimum, recklessly  
10 indifferent with regard to whether or not the corporate acts or  
11 practices were fraudulent. Therefore, she is individually liable for  
12 the corporate defendants' unlawful practices and is subject to  
13 injunctive relief and any order of restitution.

14 (3) Maurice O'Bannon

15 The FTC Motion<sup>71</sup>: Preliminarily, the Court notes that O'Bannon's  
16 opposition concedes that he once served as an officer of MJD, Discreet  
17 Bill and TAL, and in that capacity, he signed and filed start-up  
18 documents on behalf of MJD, Discreet Bill and TAL. Opp. at 2;  
19 O'Bannon Motion at 1-2. Thus, whether or not some of these corporate  
20 documents were signed by O'Bannon personally or by someone else (at  
21 Nevada Corp.) who used his signature stamp is irrelevant. (See text,  
22 supra, at 14-15.) In addition, O'Bannon has admitted that he signed  
23 the fictitious business name statements concerning N-Bill, Online  
24

---

25 <sup>71</sup> The Court rejects O'Bannon's suggestion that he cannot  
26 adequately oppose the Motion because the FTC's Motion cites to  
27 exhibits submitted in support of its application for a temporary  
28 restraining order and motion for a preliminary injunction, which were  
filed in early 1999, but never served on O'Bannon. None of those  
exhibits supports the FTC's case against O'Bannon.

1 Billing, Webtel and Assist Online. (See *id.*) Therefore, the only  
 2 possible authentication issue that may arise concerns whether or not  
 3 he signed the December 1998 merchant bank agreement on behalf of TAL.  
 4 (See *id.* at 14, note 24.)

5 The FTC's Motion against O'Bannon is premised on its contention  
 6 that O'Bannon's role, however temporary, as an officer and director of  
 7 MJD, Discreet Bill and Tal, and his act of signing documents on behalf  
 8 of these companies, without more, is sufficient to support a finding  
 9 that O'Bannon had the requisite control under Publishing Clearing  
 10 House. Reply at 20-21. As discussed above, the ruling in that case  
 11 turned on the fact that defendant Martin did not point to any evidence  
 12 to contradict the FTC's evidence of control over the corporation. See  
 13 Publishing Clearing House, 104 F.3d at 1170. Here, however, O'Bannon  
 14 does point to some evidence that raises an issue of fact as to whether  
 15 he had the requisite control over the companies, *e.g.*, he denies  
 16 knowing Ken Taves and others, he denies knowing anything about the  
 17 corporate defendants and he claims he was only an officer and director  
 18 on paper.<sup>72</sup> The FTC has not established that it is entitled to  
 19 judgment against O'Bannon as a matter of law.

20 The O'Bannon Motion. O'Bannon argues that there is an absence of  
 21 evidence to support the FTC's case. O'Bannon contends that the FTC's  
 22 evidence shows he only temporarily acted as an officer for MJD,  
 23 Discreet Bill and TAL, he had no actual authority over these  
 24 companies, he resigned shortly after each corporation was formed, he  
 25

---

26 <sup>72</sup> The Court notes that the FTC did not argue that O'Bannon  
 27 should be liable for the corporate defendants' unlawful practices  
 28 because he participated directly in the unlawful acts. Reply at 20.  
*Id.*



1 did not know the other individual defendants and did not receive any  
 2 compensation from the companies. O'Bannon Motion at 2. Notably,  
 3 O'Bannon does not mention the Charter Pacific merchant account  
 4 agreement that indicates O'Bannon signed a legal contract on behalf of  
 5 TAL in or about December 1998.

6 First, contrary to O'Bannon's contention, the evidence shows that  
 7 he was not always a "temporary" officer for the companies. In fact,  
 8 the corporate documents indicate that he was an officer and director  
 9 of Discreet Bill, at least on paper, for 13 months -- from March 1998  
 10 (O'Bannon Depo. at 306) to April 1999 (O'Bannon Motion, Ex. C  
 11 [Resolution of the Board of Directors of Discreet Bill]). During the  
 12 interim, O'Bannon, on behalf of Discreet Bill, signed the four  
 13 fictitious business name certificates. (O'Bannon Depo. at 307 [N-Bill  
 14 in 9/98]; 308 [Online Billing in 9/98]; 309 [Webtel in 12/98]; 310  
 15 [Assist Online in 12/98].) Second, it appears that O'Bannon signed  
 16 the Charter Pacific merchant account agreement on behalf of TAL and he  
 17 may have done so in or about December 1998, after he purportedly  
 18 resigned from the company. That merchant account agreement enabled  
 19 TAL to continue the fraudulent scheme, albeit only for about a month  
 20 before the Receiver took over the company.

21 Nevertheless, the Court finds that O'Bannon is entitled to  
 22 judgment in his favor. The FTC's case against O'Bannon is based  
 23 solely on O'Bannon's role as an officer of the defendant companies.  
 24 Therefore, to hold O'Bannon liable for injunctive relief, the FTC must  
 25 establish that O'Bannon either participated directly in the wrongful  
 26 practices at issue or had authority to control the corporation.

27 The FTC contends that O'Bannon's role as an officer or director  
 28 on paper, without more, sufficiently shows authority to control or, at

1 the very least, sufficiently shows that O'Bannon's Motion should be  
 2 denied. The Court disagrees. At this stage, to successfully oppose  
 3 this motion, the FTC must have enough evidence "on which a reasonable  
 4 jury could reasonably find for [the FTC]." *Anderson*, 477 U.S. at 252.  
 5 But the record submitted by the FTC is devoid of evidence that shows  
 6 O'Bannon even knew any of the other defendants (or their agents) or  
 7 communicated in any way with any of other defendants (or their  
 8 agents). Without some other evidence linking O'Bannon to the other  
 9 defendants, the evidence simply shows that an unwise man signed  
 10 certain documents from afar on behalf of companies unknown to him  
 11 without knowledge about (1) who actually owned or operated those  
 12 companies or (2) the business activities of those companies.

13 The Court is very troubled by the nature of O'Bannon's  
 14 activities, lending his name and signature to faceless and unknown  
 15 corporations and signing documents without care for their content or  
 16 legal effect. The record shows that O'Bannon did not merely act as an  
 17 officer and director for strange companies for the limited purpose of  
 18 signing incorporation documents. The Court is also skeptical about  
 19 O'Bannon's claim that he received little or no benefit from Nevada  
 20 Corp. in exchanges for his "services." However, the FTC did not  
 21 prosecute O'Bannon independently for unlawful practices unrelated to  
 22 the defendants' billing scheme. In this case, there is simply  
 23 insufficient evidence for a reasonable jury to find that O'Bannon  
 24 actually had authority to control the defendant corporations.<sup>73</sup>

25  
 26 <sup>73</sup> The FTC has not alleged that O'Bannon participated directly  
 27 in the wrongful billing scheme perpetrated by the other defendants.  
 28 Even if it did, the Court finds that there is insufficient evidence on  
 which a reasonable jury could find for the FTC. The FTC's strongest  
 (continued...)

1 Accordingly, the Court concludes that O'Bannon is entitled to judgment  
2 as a matter of law on the FTC's claims against him."<sup>4</sup>

3 2. Scope of the Injunction

4 a. Ken Taves

5 Ken Taves objects to the scope of the requested injunction.  
6 Specifically, he contends that the proposed injunction would  
7 "permanently enjoin [him] from operating any business" that accepts  
8 credit or debit cards, which "effectively prohibits [him] from ever  
9 engaging in a position of ownership, management or control." Opp. at  
10 16. He also contends that he would not be able to lawfully support  
11 himself (and presumably his family) or pay any restitution, if the  
12 requested relief is granted. *Id.* at 17.<sup>5</sup>

13  
14 <sup>3</sup>(...continued)  
15 evidence in this regard is the TAL/Charter Pacific merchant account  
16 agreement. However, O'Bannon claims that the document contains his  
17 signature stamp, *i.e.*, someone signed his signature to the document.  
18 The FTC has submitted no evidence to the contrary. Even viewing this  
19 document combined with the fictitious business name filings, the Court  
20 cannot conclude that a triable issue of fact exists as to whether  
21 O'Bannon participated directly in the corporate defendants' unlawful  
22 practices.

23 <sup>4</sup> The Court need not distinguish between the FTC's unfair  
24 practice claim and the deceptive practice claim. As stated above,  
25 O'Bannon's liability for the unlawful acts is premised on his role as  
26 an officer or director of MJD, Discreet Bill and TAL. Because the  
27 Court finds that the FTC has insufficient evidence to proceed to trial  
28 on the issues of control and direct participation, O'Bannon is  
entitled to judgment on both claims.

24 <sup>5</sup> None of the defendants, including Ken Taves, object to the  
25 other provisions of the proposed injunction -- Sections I to V. Those  
26 provisions would permanently enjoin Ken Taves, Teresa Taves, JKP,  
27 Herbal Care and MJD from engaging in the particular unlawful practices  
28 at issue in this case and requiring them to take certain actions in  
connection with the "advertising, promotion, offering for sale, or  
sale of goods or services by any means whatsoever" to ensure that  
(continued...)

1 The relevant portions of the FTC's proposed order, submitted on  
2 November 29, 1999, states:

3 IT IS FURTHER ORDERED that for a period of ten years from  
4 the date of this order, Ken Taves, whether directly, in  
5 concert with others, or through any business, entity,  
6 corporation, subsidiary, division or other device, is  
7 enjoined from owning or controlling, whether directly or  
8 directly, holding a managerial post, consulting for, or  
9 serving as an officer in any business that handles  
10 consumers' credit card or debit card accounts, or the  
11 information therefrom[.]

12 Proposed Order at 7 (Section VI). Two paragraphs later, the proposed  
13 order provides that:

14 [N]othing in this part shall prohibit Ken Taves from being  
15 an employee of a business that handles consumers' credit  
16 card or debit card accounts, or the information received  
17 therefrom, provided that Ken Taves has no contact or access,  
18 directly or indirectly, with or to these credit card or  
19 debit card accounts or any information derived from them.

20 Id.

21 The Court recognizes that "those caught violating the FTC Act can  
22 expect some 'fencing in'" Windward Marketing, 1997 U.S. Dist. LEXIS  
23 17114, \*43 (quoting FTC v. National Lead Co., 352 U.S. 419, 431  
24 (1957)). "The[] 'fencing in' provisions are needed to prevent  
25 similar and related violations from occurring in the future.'" Id.

26 \_\_\_\_\_  
27 <sup>75</sup>(...continued)  
28 debits or charges to cardholder accounts occur only with express  
authorization from the cardholders. Ses Proposed Order at 3-7.

1 (quoting Trans World Accounts, Inc. v. FTC, 594 F.2d 212, 215 (9th  
 2 Cir. 1979). With this in mind, the Court finds that Ken Taves'  
 3 unscrupulous and unlawful practices, which he successfully carried out  
 4 for over a year largely because of his position of control over his  
 5 companies and other individuals, warrant the ten year prohibition  
 6 against owning, controlling, holding a managerial position, consulting  
 7 for, or serving as an officer in "any business that handles consumers'  
 8 credit card or debit card accounts, or the information therefrom[.]"  
 9 Proposed Order at 7 (Section VI at ¶ 1).

10 However, the provision that limits Ken Tave's employment as a  
 11 non-managerial employee is unwarranted.<sup>76</sup> Although the requested  
 12 relief does not on its face prohibit Ken Taves from working at all,<sup>77</sup>  
 13 it does effectively prohibit him from working in the overwhelming  
 14 majority of businesses. There are few businesses nowadays that accept  
 15 only cash or checks and few, if any, positions in businesses that do  
 16 handle credit or debit cards where the (non-managerial) employee can  
 17 avoid having contact with or even access to customers' card account  
 18 information.<sup>78</sup> Instead, the Court will adopt the first two paragraphs

19  
 20 <sup>76</sup> None of the cases cited by the FTC supports this proposed  
 21 ban. See Motion at 54 & Reply at 15 (cases all ban defendants from  
 22 engaging in the particular unlawful activities at issue, e.g.,  
 engaging in future telemarketing businesses or selling investments  
 that include an interest in government licenses).

23 <sup>77</sup> For example, Ken Taves can work as an employee in a business  
 24 that (1) accepts only cash or checks or (2) accepts credit and debit  
 25 cards as long as he has "no contact or access, directly or indirectly,  
 with or to these credit card or debit card accounts or any information  
 derived from them."

26 <sup>78</sup> Outside of "businesses," there are professions that might  
 27 not handle credit or debit card account information (e.g., lawyers,  
 teachers, and engineers), but those positions require certain  
 28 (continued...)

1 of the proposed ban (~~see~~ Proposed Order at 7) but substitute the third  
2 paragraph for the following language:

3        Provided, further, that nothing in this part shall prohibit  
4        Ken Taves from being an employee of a business that handles  
5        consumers' credit or debit card accounts, or the information  
6        received therefrom, as long as Ken Taves does not use any of  
7        those credit or debit card accounts, or any information  
8        derived therefrom, for any purpose other than the lawful and  
9        legitimate processing of a credit or debit card transaction  
10       that is expressly authorized by the cardholder for goods  
11       sold or services provided by Ken Taves' employer.

12            **b. Teresa Taves**

13        Teresa Taves did not object to the scope of the injunction  
14        against her. Although she did "join" in all other defendants'  
15        arguments, no one else addressed the specific ban against her, namely,  
16        she must obtain a surety bond in the amount of \$4,000,000 before she  
17        can engage in any of the activities proscribed by sections I to V of  
18        the proposed order (which allow lawful "advertising, promotion,  
19        offering for sale, or sale of goods or services by any means  
20        whatsoever" as long as she takes certain steps to ensure that debits  
21        or charges are expressly authorized). ~~See~~ Proposed Order at 8  
22        (Section VII). The Court finds a \$4,000,000 bond is unwarranted.  
23        Instead, the Court will require a \$500,000 bond.

24        //

25        //

26        \_\_\_\_\_

27            <sup>78</sup> (...continued)  
28        educational training and/or professional background which Ken Taves  
     likely does not have and cannot easily obtain.

1           3.     Damages on the Unfair Practices Claim

2           JKP, Herbal Care, Ken Taves and Teresa Taves contend that the  
3     FTC's calculations on damages -- total of \$40.5 million -- are based  
4     on unreliable evidence. The defendants' expert, Jon Karraker, CPA,  
5     questions the reliability of the ATS Historical Database, upon which  
6     much of the calculations are based, because, *inter alia*, (1) Mr.  
7     Goldfarb apparently turned over the database records to the FTC in  
8     three batches over a seven month period from January through July  
9     1999<sup>79</sup>; (2) the FTC has not independently verified the accuracy of the  
10    ATS data (by reviewing other merchant databases maintained by ATS);  
11    (3) Mr. Goldfarb's credibility is in doubt because he is an interested  
12    party and the evidence suggests or shows that Mr. Goldfarb knew of or  
13    participated in the unlawful practices; and (4) there is the \$1.9  
14    million discrepancy between the \$47.5 million "sales" figure from the  
15    ATS Historical Database and the \$49.4 million "sales" deposits in the  
16    merchant bank accounts (and the FTC includes this \$1.9 million in the  
17    damages calculation). (Opp., Ex. A [Karraker Report] at 1-5]. After  
18    reviewing the deposition testimony of David Goldfarb, the evidence in  
19    support of the FTC damages calculations, and Mr. Karraker's report,  
20    the Court had questions about the reliability of the FTC's evidence on  
21    damages. *See* Fed. R. Civ. P. 56(e) (evidence in support of a summary  
22    judgment motion must be admissible).

23           Therefore, on March 23, 2000, the Court issued a minute order to  
24    the parties, asking that counsel address the following points during  
25    oral argument:

26    //

27           \_\_\_\_\_  
28           <sup>79</sup>     The FTC does not dispute this fact. *See* Reply at 9-13.

- 1 (1) Is the FTC's evidence on damages dependent on Mr.
- 2 Goldfarb's credibility as a witness?
- 3 (2) Did the FTC agree to not prosecute Mr. Goldfarb and/or ATS
- 4 or make any other promises to Mr. Goldfarb in exchange for
- 5 Mr. Goldfarb's cooperation?
- 6 (3) Do the defendants have any evidence of collusion or
- 7 wrongdoing by Mr. Goldfarb (i.e., that Mr. Goldfarb tampered
- 8 with the databases he turned over to the FTC) other than
- 9 mere speculation?
- 10 (4) If the Court finds that it has concerns about Mr. Goldfarb's
- 11 credibility as a witness, does that necessarily cast some
- 12 doubt as to the reliability of the ATS databases such that
- 13 the issue of damages cannot be determined on summary
- 14 judgment?
- 15 (5) As to the \$1.9 million discrepancy between the \$47.5 million
- 16 total "sales" figure from the ATS Historical Database and
- 17 the \$49.4 million total "sales" deposits in the corporate
- 18 defendants' merchant bank accounts -- what evidence in the
- 19 record shows the \$1.9 million is illegitimate?
- 20 (6) Is the FTC's calculation overstated by at least \$2.3
- 21 million? See discussion, *infra*, note 56.
- 22 During oral argument, counsel addressed these points at length.
- 23 For the first time, the FTC proposed an alternative method of
- 24 calculating damages not previously raised in its moving or reply
- 25 papers. The FTC proposed that the Court disregard the ATS Historical
- 26 Database and simply use the \$49.4 million total deposits in the
- 27 defendants' merchant accounts. The FTC asserts that \$49.4 million
- 28 equals the total amount of unauthorized charges because the defendants



1 have no evidence that indicates these were authorized transactions.  
2 After subtracting the total chargebacks and credits to date (\$7.3  
3 million as of February 2000), the total amount of damages should be  
4 \$42.1 million. The FTC argues that two cases, FTC v. Gem  
5 Merchandising Corp., 87 F.3d 466 (11th Cir. 1996) and FTC v. Febre,  
6 128 F.3d 530 (7th Cir. 1997), support this alternative method of  
7 calculation. After considering counsel's oral argument, the record in  
8 this case and the two cases cited by the FTC, the Court finds that  
9 under either of the FTC's proposed methods of calculation, a triable  
10 issue of fact exists as to the amount of damages. Accordingly, the  
11 Court concludes that the FTC is not entitled to judgment as a matter  
12 of law on the damages issue.

13 //

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### III. Conclusion<sup>80</sup>

For all of the foregoing reasons, the Court hereby ORDERS that (1) the FTC's Motion is GRANTED, in part, on the issue of liability as to JKP, Herbal Care, MJD, Ken Taves and Teresa Taves; (2) the FTC's Motion is DENIED, in part, on the issue of damages with respect to JKP, Herbal Care, MJD, Ken Taves and Teresa Taves; (3) the FTC's Motion against O'Bannon is DENIED; and (4) the O'Bannon Motion is GRANTED.

SO ORDERED.

DATED: April 7, 2000

*Audrey B. Collins*  
AUDREY B. COLLINS  
UNITED STATES DISTRICT JUDGE

<sup>80</sup> The FTC also argues that the defendants violated section 5 of the FTC ACT by committing "deceptive practices." Motion at 44-46. The Court finds that even if the FTC establishes liability on this claim, the forthcoming injunction and restitution order for the unfair practices would not be broader in scope. Therefore, the Court concludes that it need not address this argument.

3435

Senate Permanent Subcommittee  
On Investigations  
EXHIBIT # 60d

**Exhibit 60d.**

**Benford account documents**

IN THE SUPREME COURT OF  
THE REPUBLIC OF VANUATU  
(CIVIL JURISDICTION)

CIVIL CASE NO. 85 OF 1999  
CONSOLIDATING  
COMPANY CASE NO. 8 OF 1999

STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

BETWEEN: ROBB EVANS of ROBB EVANS &  
ASSOCIATES  
Plaintiff

AND: EUROPEAN BANK LTD  
First Defendant

AND: BENFORD LTD  
Second Defendant

AND: VANESSA CLYDE as  
Interested Party

AND: ATTORNEY GENERAL as  
Interested Party

### AFFIDAVIT

I, SUSAN PHELPS, Director make oath and say as follows:

1. I am a Director of European Bank Limited, the party shown as the First Defendant in these proceedings and I am also an officer of European Trust Company Limited ("ETCL").
2. It was in my capacity as an officer of ETCL that the following correspondence (which is attached hereto and marked as indicated) was generated between it and a Mr Ivan Burges:

"A" 5 February 1999 Fax from Burges to ETCL.

"B" 6 February 1999 Fax from ETCL to Burges.

"C" 8 February 1999 Fax from Burges to ETCL.

"D" 8 February 1999 Fax from Burges to ETCL.

"E" 9 February 1999 Fax from ETCL to Burges.



C:\OFFICE\APR\N\APR0001\N0000000

CG 006439

"F" 11 February 1999 Fax from Burges to ETCL.

"G" 12 February 1999 Fax from ETCL to Burges.

"H" 16 February 1999 Fax from Burges to ETCL.

b. fax

3. I did not speak to Mr Burges during the course of the correspondence referred to in the previous paragraph and verily believe that nobody else from either the First Defendant or ETCL spoke to Mr Burges. Following this correspondence and on 17 February 1999 the sum of US\$100,000 referred to in Annexure "H" was received by the First Defendant. The completed incorporation forms for the Second Defendant were also received on 17 February 1999, and these completed forms appear as part of Annexure "E".
4. Attached hereto and marked "I" is a true copy of a fax sent on 17 February 1999 by ETCL to Burges. The Second Defendant was incorporated on 18 February 1999. Attached hereto and marked "J" is a copy of a fax from ETCL to Burges dated 19 February 1999 and attached hereto and marked "K" is a true copy of a response dated 22 February 1999.
5. On or about 24 February 1999, I received the facsimile which is attached hereto and marked with the letter "L1". Annexed hereto and marked "L2" is a true copy of a letter forwarded to Vanessa Clyde on or about 24 February 1999 and annexed hereto marked "M" is a true copy of a fax forwarded to Ms Clyde on the same day in response to annexure "L1".
6. Annexed hereto and marked "N" are the internal transfer applications of the First Defendant in relation to the transfer of USD100,000 referred to in annexures "H" and "I".
7. Attached hereto and marked "O" is a true copy of a fax received from Ivan Burges dated 19 March 1999 and attached hereto marked "P" are true copies of the transfer instructions issued by the First Defendant in response to that correspondence.
8. Attached hereto and marked "Q" is a true copy of a fax from ETCL to Ms Vanessa Clyde dated 9 March 1999.
9. Annexed hereto and marked "R" is a true copy of a statement issued by ETCL in relation to the Second Defendant.
10. It was around this time that I received a series of telephone calls from Mr Burges. During those telephone calls, Mr Burges indicated that there was a lady present with him whose name was Vanessa Clyde and it was this lady who participated in the telephone discussions with Mr Burges and myself. Ms Clyde had an American accent. The telephone calls concerned enquiries by Mr Burges and Ms Clyde as to the applicable interest rates and availability of Bank bills in Vanuatu together with details of the confidentiality laws for Vanuatu. Both Mr Burges and Ms Clyde indicated that they intended to come to Vanuatu to visit and made enquiry in regard to suitable hotels.

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CC 000440

During one of these telephone discussions, I indicated to both Mr Burges and Ms Clyde that I had not received the original documentation in relation to Benford Limited and I requested that they mail that documentation to me.

11. As a result of the increase in the number of funds received in Vanuatu on the account of the Second Defendant, I caused enquiries to be made of Mr Burges and Euro Bank Corporation by Mr Douglas Peters the Manager of the First Defendant. Attached hereto and marked "S" is a true copy of a fax which I verily believe was forwarded by Mr Peters to Barclays Private Bank in the Cayman Islands dated 29 March 1999, together with its response of the same date, which is attached hereto and marked "T". Attached hereto and marked "U" is a copy of Mr Peters diary note dated 30 March 1999.
12. Annexed hereto and marked "V" is a true copy of a fax dated 31st March 1999 which I received from Ms Clyde.
13. On or about 9 April 1999, further credit funds were received by the First Defendant and attached hereto and marked "W" are true copies of two credit advices in relation to these funds.
14. On 21 April 1999, I had a further telephone discussion with Vanessa Clyde. Again, this appeared to be the same woman with whom I had been talking earlier with Mr Burges and this woman spoke with an American accent. Ms Clyde asked me to forward to her forms to incorporate another company for a friend and authorised me to deduct the cost for that company from the account of the Second Defendant. Attached hereto and marked "X" is a true copy of a fax from ETCL to Ms Clyde dated 21 April 1999. Ms Clyde also made enquiries as to whether or not we could provide a credit card. I confirmed to Ms Clyde that we could but that I would need her signature and that I would mail her the appropriate documentation.
15. Annexed hereto and marked "Y" is a true copy of a fax I received from a Mr D. David Sylvester which attached completed documentation which had originally been attached, in blank, to annexure "X". Annexed hereto and marked "Z" is a copy of a fax I sent to Ms Clyde in response to the documents received from Mr Sylvester. Attached hereto and marked "AA" is a true copy of a fax from ETCL dated 22 April 1999 to Mr Sylvester.
16. Annexed hereto and marked "BB" is a true copy of fax dated 4 May 1999 received from Ms Clyde and annexed hereto and marked "CC" is a true copy of a letter from the Second Defendant to the First Defendant dated 6 May 1999 acting on the instructions received in annexure "BB".
17. Annexed hereto and marked "DD" is a true copy of a fax dated 12 May 1999 from Barclays Private Banking.
18. I refer to my Affidavit sworn herein on 23 October 1999 and recital paragraphs 5, 6 and 7 in relation to a telephone discussion I had on 23 May 1999 from a lady who introduced herself as Vanessa Clyde, and who spoke with an English accent.

C:\OFFICE\WPWIN\WPDOCS\INTOWIN\WPD

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ONLY



19. Annexed hereto and marked "EE" and "FF" are true copies of correspondence I sent to Ms Clyde.
20. Annexed hereto and marked "GG" is a true copy of a fax I received from Ms Clyde dated 25 May 1999 and annexed hereto and marked "HH" is a true copy of my reply sent 26 May 1999.
21. Annexed hereto and marked "II" is a true copy of some e-mail messages I had with an associate in London where we endeavoured to make some further enquiries in relation to the true identity of Ms Clyde.
22. On or about 28 May 1999, the First Defendant then received the correspondence dated 27 May 1999 from Maples and Calder Attorneys at Law in the Cayman Islands, which is referred to as annexure "M" in the Affidavit of T.M. Bayer dated 28 July 1999.
23. On or about 3 June 1999, I had a further telephone discussion with the "English" Ms Clyde. In that telephone discussion I repeated my request for original documentation and for a notarised copy of her passport. Ms Clyde said that she could not supply the documentation as Mr Burges must have it and I informed her that I needed to know the origin of the funds which had been sent. Ms Clyde then asked how much money was in the account and I advised her that I was not in a position to provide that information due to our confidentiality laws. Ms Clyde then said that she liked that approach being taken and asked for an assurance that nothing which she had supplied to the First Defendant or to ETCL could be given out to anyone else.
24. Following receipt of the correspondence of 27 May 1999, from Maples and Calder Attorneys, attached hereto and marked "JJ" and "KK" are true copies of correspondence from the Second Defendant to the First Defendant dated 28 May 1999 and from the First Defendant to Maples and Calder dated 31 May 1999.
25. On Friday 4 June 1999, I had a further telephone discussion with the "English" Vanessa Clyde. Annexed hereto and marked "LL" is my Diary Note in relation to that telephone discussion and annex hereto and marked "MM" is a true copy of a letter I received on or about 11 June 1999 but dated 2 June 1999.
26. Annexed hereto and marked "NN", "OO" and "PP" are true copies of correspondence generated between 4 and 7 June 1999 in relation to the whereabouts of Mr Burges.
27. On 9 June 1999, I telephoned Euro Bank Corporation and spoke to an Alison Hill asking for her assistance in contacting Ivan Burges. Attached hereto and marked "QQ" is a copy of the response received from Euro Bank Corporation dated 9 June 1999.
28. On 10, 15 and 18 June, further telephone discussions were held with Vanessa Clyde. Attached hereto and marked "RR" are true copies of my file notes in relation to those telephone discussions.

OFFICE OF THE ATTORNEY GENERAL

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cc 006442

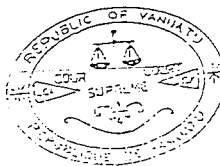
29. Annexed hereto and marked "SS" is a true copy of a fax dated 18 June 1999 received from Ms Clyde.
30. On or about 5 July 1999, the First Defendant then received the document which appears as annexure "L" to the Affidavit of Mr Bayer, which is annexed to this Affidavit as Annexure "TT". I verily believe that the First Defendant did not act on this correspondence. On 4 August 1999, I had a further telephone discussion with the "English" Vanessa Clyde. Annexed hereto and marked "UU" is a true copy of my file note in relation to that telephone conversation.
31. Again on 16 August 1999, I had a telephone discussion with the "English" Vanessa Clyde and annexed hereto and marked "VV" is a true copy of my diary note in relation to that telephone discussion.

SWORN by the Deponent )  
 this 22<sup>nd</sup> day of November, 1999 )  
 Before me: )

Solicitor/Commissioner for Oaths

MARILYN KALANGIS  
 Commissioner of Oaths VANUATU

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File 2012 99

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**In the Supreme Court of  
New South Wales**

Sydney Registry  
Equity Division

No 4999 of 1999

**Affidavit of Susan Phelps  
Sworn: 17 December 1999**

Filed for European Bank Limited

Robb Evans of Robb Evans &  
Associates as Receiver of JK  
Publications, Inc., MJD Service  
Corp., TAL Services, Inc., and their  
affiliates and subsidiaries, and as  
Receiver over the assets of Kenneth  
Taves and Teresa Taves, of 11450  
Sheldon Street Sun Valley,  
California 91352, United States of  
America

Plaintiff

BAKER & McKENZIE  
Solicitors  
Level 26  
AMP Centre  
50 Bridge Street  
Sydney NSW 2000

Dx : 218 Sydney  
Tel : (02) 9225-0200  
Fax : (02) 9223-7711  
Ref : JTF  
Doc Id : 242094-v01\W97\  
SYDDOCS3

Citibank Limited

First Defendant

Benford Limited an international  
company incorporated pursuant to  
the Vanuatu International  
Companies Act 1992 and having its  
registered office at International  
Building, Kumul Highway, Port Vila,  
Efate in the Republic of Vanuatu

Second Defendant

JK Publications Inc.

Third Defendant

MJD Service Corp.

Fourth Defendant

TAL Services Inc.

Fifth Defendant

Kenneth Taves

Sixth Defendant

Teresa Taves

Seventh Defendant

European Bank Limited

Eighth Defendant

CG 006519

B

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On 17 December 1999, I Sue Phelps of Malapca Estate, Port Vila, Republic of Vanuatu, Company Director, say on oath:

1. I am a director of European Bank Limited, the Eighth Defendant in these proceedings ("European Bank"). I make this affidavit unless otherwise indicated from the records of European Bank and its related company European Trust Company, of which I am also a director, or from my own knowledge.
2. European Bank is the holder of a Banking Licence issued in April 1995 under the laws of the Republic of Vanuatu. Annexed and marked "A" is a copy of the Licence. European Trust Company is incorporated in the Republic of Vanuatu and carries on the business of acting as a corporate trustee and holding shares and other assets on trust.
3. In or about 8 February 1999 European Trust Company received instructions from Euro Bank Corporation in the Cayman Islands to set up a company in Vanuatu the beneficial owner of which was to be Vanessa Phyllis Clyde ("Vanessa Clyde") of the United Kingdom. Upon incorporation a bank account was established in the name of the company with European Bank Limited, of Port Vila, Vanuatu.
4. As a result of the instructions from Euro Bank Corporation, Benford Limited ("Benford") was incorporated in Vanuatu with as its sole shareholder Meldrew Limited as nominee for Vanessa Clyde.
5. On or about 19 February 1999 the Benford account was established by European Bank in the name of Benford. The account established in the name of Benford, with European Bank was account No. 8901-116101-0206. The only signatories to the account were "any two European Trust Company Limited authorised signatories, signing jointly".
6. Between 26 February 1999 and 9 April 1999 amounts totalling US\$7,527,900 were received by European Bank to the account of Benford. As was the general practice of European Bank, equivalent amounts were deposited from time to time by European Bank together with other amounts with banks with whom European Bank has arrangements for United States dollar accounts in its name.
7. On 27 May 1999 European Bank received a faxed copy of a letter from Maples and Calder a copy of which is annexed and marked "B". After receipt of that letter Kely Ihrig, the Operations Manager for European Bank caused to be sent on 31 May 1999 a letter from European Bank to the Commissioner of Police in Port Vila, Vanuatu, a copy of which is annexed and marked with the letter "C". In accordance with the procedures of European Bank in such matters, the funds

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in the Benford account as at that date were internally frozen and subsequently transferred to another account namely account number 8901-116103-0106 to avoid any of the funds then standing to the account of Benford being dealt with.

8. In July 1999 European Bank commenced an action in the Supreme Court of Vanuatu for orders restraining the release or other dealings with the funds on deposit with European Bank in the name of Benford. These proceedings were number 08 of 1999. On 28 July 1999 an order was made by the Supreme Court of Vanuatu, a copy of which is annexed and marked with the letter "D".
9. Since on or about 25 May 1999 I have become aware that there is serious doubt as to who gave the instructions to Euro Bank Corporation and who is the true beneficial owner of the shares in Benford. I have had telephone discussions with two different people claiming to be Vanessa Clyde. The history of the setting up of Benford, its account with European Bank and my discussions with the two Vanessa Clydes is the subject of an affidavit by myself sworn 23 November 1999 and filed in proceedings number 85 of 1999 in the Supreme Court of Vanuatu being proceedings brought by Robb Evans, the plaintiff in these proceedings.
10. I refer to the affidavit sworn by Douglas Edmond Raftesath on 10 December 1999 and to annexure "E" to that affidavit which is an interest bearing deposit confirmation by European Bank. That document was amended on 13 October 1999 as it contained errors. Annexed and marked with the letter "F" is a copy of the amended confirmation from European Bank dated 13 October 1999. The amended confirmation amends the deposit number from 99-126 to 99-96. Deposit number 99-126 refers to a placement by European Bank, not to a deposit.
11. Annexed and marked with the letters "G" and "H" are confirmations from European Bank to Benford dated 10 November 1999 and 9 December 1999.
12. Annexed and marked with the letters "I" "J" "K" and "L" are copies of the Instructions from European Bank to Citibank dated 18<sup>th</sup> October 1999, 17<sup>th</sup> November 1999, 9<sup>th</sup> December 1999 and 13<sup>th</sup> December 1999. The amount on deposit by Benford with European Bank as at 13<sup>th</sup> December 1999 is \$223,139.61 less than the amount European Bank has on deposit with Citibank. This amount represents smaller deposits received by European Bank around 12 October 1999, plus interest accrued since then, which were bundled together with the amount standing to the account of Benford for the deposit with Citibank on 18 October 1999.
13. In the event that there were no restraining orders affecting the Benford account with European Bank and the amount of Benford's deposit with European Bank was not rolled over, the amount owing to Benford on 13 January 2000 would be

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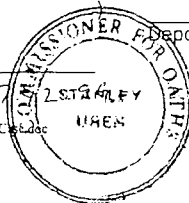
funded from other deposits with European Bank. This would also be the case if the Supreme Court of Vanuatu made any order requiring European Bank to pay the money held on deposit with it by Benford into court or to any person.

14. There have been no dealings with the account, other than those amounts permitted by Vanuatu Court Order for local administration, held by Benford with European Bank since 31 May 1999 when the account was frozen. The funds on deposit with Citibank which were the subject of the amended confirmation dated 13 October 1999 are not funds belonging to Benford but are funds belonging to European Bank. European Bank has funds on deposit with Citibank, other Australian banks and banks in the United Kingdom, the United States, Hong Kong and other countries. These funds are transferred between banks in those countries depending on the interest rate offered at the time. If European Bank is not able to deal with its funds on deposit with Citibank it will suffer loss through the inability to obtain the best interest rate on those funds. In addition, if ordered by the Supreme Court of Vanuatu to pay the balance of the Benford account, European Bank will have to fund that payment from other deposits.
15. In accordance with its internal procedures European Bank has frozen the account of Benford and there is a standing instruction from the Directors of European Bank that this account not be dealt with other than in accordance with the order of the Supreme Court of Vanuatu.
16. I have made a search of the records of European Bank and I can find no accounts with European Bank in the name of the Third, Fourth, Fifth, Sixth or Seventh Defendants.
17. Annexed and marked "M" is a copy of an originating summons in proceedings no. 14 of 1999 in the Supreme Court of Vanuatu commenced by Vanessa Clyde. I obtained this document from Morrison Solomon, an authorised signing officer of Meldrew Limited, the First Respondent in those proceedings. I was in attendance at the Supreme Court of Vanuatu on 10 December 1999 and Mark Hurley appeared for Vanessa Clyde in proceedings No. 14 of 1999 but Mr Justice Saksak refused to allow Mr Hurley to proceed because of his conflict of interest in also representing Robb Evans in the civil cases disputing the ownership of the money.

Sworn by the Deponent at Port Vila )  
before me:

Commissioner for Oaths  
Republic of Vanuatu

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Deponent's name

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EURO BANK CORPORATION

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ONLY

3rd. February, 1999

Fax To: Ms. A. L. Cowell  
European Trust Company Limited  
Vanuatu, S. W. Pacific

Fax No: 011 678-22684

You may recall we used your services to set up a company, Fiema Shipping Co. Ltd.

We have a client who is requiring a Vanuatu Company with full management services,  
that company would establish bank account and brokerage accounts.

Initially you would act on our instructions but once things are "set up" the client would  
give instruction to you direct.

Is this the type of service you are able to provide - including nominee directors,  
shareholders and opening of accounts? What bank would you use? Please advise what  
your costs would be - also names of any shelf companies you have available.

I look forward to your reply.

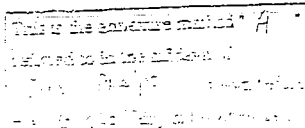
Yours sincerely,

Ivan R. W. Burgess  
Senior Assistant Manager

Our fax number is 345-949-4132



MAHILYN KALANGIS  
Commissioner of Lands, Vanuatu



10, Bank Hill - P.O. Box 1000 - Tel. 011 678-22684 - Fax 011 678-22684 - Email: info@eurobank.com  
11, 1st Floor - P.O. Box 1000 - Tel. 011 678-22684 - Fax 011 678-22684 - Email: info@eurobank.com

CG 006444

3446



Correspondence  
P.O. Box 113  
Port Vila, Vanuatu  
South West Pacific

INTERNATIONAL BUILDING  
KUMUL HIGHWAY  
PORT VILA, VANUATU  
SOUTHWEST PACIFIC

Telephone: (678) 24680  
Facsimile: (678) 22884  
Telex: (771) 1023 EURTRUST  
Email: Security@Vanuatu.com.vu

Company Limited

## Facsimile Message

TO: Ivan R W Burges

FAX NO: 345-949-6232

COMPANY: Euro Bank Corporation

REF/DATE: EUT / 6 February, 1999

FROM: Sue Phelps

PAGE NO: 1 OF 1

Dear Mr Burges

Thank you for your enquiry. Please note that Ms Cowell is no longer with our group.

We would be delighted to incorporate a Vanuatu International Company for your client. I attach an application form together with our fee schedule for your information. We are able to provide nominee shareholders and directors as required. Since a new company can be incorporated within 24 hours of our receiving funds, we do not use shelf companies as a rule. However, if you really need a company that has been in existence for some time, we may be able to provide one.

European Bank Limited, our sister company, was incorporated in Vanuatu on the 17th of May 1972, and holds a full Vanuatu Banking Licence. Unlike the commercial banks represented in Vanuatu, European Bank does not offer retail banking services (checking accounts, ATM Cards, safe deposit boxes, etc.). It operates as a Private Bank providing services to high net worth individuals primarily in the spheres of international money transfers, foreign exchange and money market operations, as well as fund and portfolio management. Accounts may be held in any major currency.

One of our group companies operates a group of award-winning cash management funds collectively called the Pacific Capital Growth Funds (PCGF) in which cash held by our clients can be invested. There is a minimum investment requirement of US\$ 25,000. Clients' monies in various currencies are pooled and invested, primarily in interest bearing deposits with major international banks and AAA rated bonds of various terms. By pooling clients' investments we can achieve higher returns and greater liquidity than if the clients invested individually. Clients are allotted shares in a selected fund based on the value of the Fund at investment date, and the share value is recomputed weekly to allocate current income of the Fund back to the clients. Investments can be withdrawn from most funds with only a day or two notice. The Fund Manager does charge a management fee prior to the calculation of the return. The only other fee is a US\$15.00 charge for the deposit or withdrawal of funds.

If you would like any further details, please feel free to contact me.

Yours sincerely

Sue Phelps  
Executive Vice President - Corporate & Trust Services

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ONLY

MARILYN KALANGIS  
Commissioner of RATHS VANUATU

This is the signature marked "S"  
of the person who has signed the document.  
Sue Phelps  
10 FEB 1999 10:17 PM  
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EUROPEAN TRUST COMPANY LIMITED

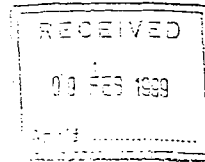
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ON 26 FEB 1999 10:17 PM

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EURO BANK CORPORATION



8th February, 1999

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ONLY

Fax To: Sue Phelps  
European Trust Company Limited  
Vanuatu

Fax No: 011-678-22834

Thank you for your fax message of the 6th February, 1999 which I read with interest.

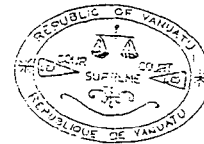
Unfortunately you did not include with your fax a schedule of fees or application form.

When faxing you this information could you also please let us have a copy of the latest audited financial statement of European Bank Limited.

We look forward to hearing from you in the very near future.

Yours sincerely,

Ivan R. W. Burges  
Senior Assistant Manager



PO Box 782 • P.O. Box 782 • Tel: 068 444077 • Telex: 420200 Eurobank SP • Facsimile: 068 444022 • Cable: Eurobank Grand Cayman  
P.O. Box 782 • P.O. Box 782 • Tel: 068 444077 • Telex: 420200 Eurobank SP • Facsimile: 068 444022 • Cable: Eurobank Grand Cayman

MARILYN KALANGIS  
Commissioner for OATHS VANUATU

CG 006446

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EURO BANK CORPORATION

8th February, 1999

Fax To: Ms. Sue Phelps  
European Trust Company Limited  
Vanuatu, S. W. Pacific

Fax No: 011-678-2284


Further to my fax our clients have instructed that they wish you to incorporate a company  
bearing the name BENFORD LIMITED.

Please arrange for an account to be opened in that company's name with European Bank  
Limited.

Please advise wiring instructions to settle (1) your fees (2) the account of Benford  
Limited.

The clients are keen that matters proceed at a urgent pace.

Yours sincerely,

  
Ivan R. W. Borges  
Senior Assistant Manager

Our fax number is 045-049-6232



For the purpose of this letter, the following information is provided: The above information is for the purpose of the letter only and is not to be used for any other purpose. The information is provided for the purpose of the letter only and is not to be used for any other purpose.

MARILYN KALANGIS  
Commissioner for OATHS, VANUATU

CC 006447



3449



Correspondence  
P.O. Box 213  
Port Vila, Vanuatu  
Southwest Pacific

INTERNATIONAL BUILDING  
KUMUL HIGHWAY  
PORT VILA, VANUATU  
SOUTHWEST PACIFIC

Company Limited

Telephone: (678) 24680  
Facsimile: (678) 22884  
Tele: (771) 1023 EURTRUST  
Email: Security@Vanuati.com.vu

## Facsimile Message

TO: Ivan R W Burges

FAX NO: 1-345-949-6232

COMPANY: Euro Bank Corporation

REF/DATE: EUT / 9 February, 1999

FROM: Sue Phelps

PAGE NO: 1 OF 1

Dear Mr Burges

I am sorry that the form was not attached as promised. I have ensured that it is together with this fax. Please complete the application form, fax back to us, and send the original by mail. If you wish us to provide any nominee directors or shareholders, we will also require Form B to be completed.

Instructions for transmission of funds to European Trust are as follows:

CITIBANK N A  
111 Wall Street  
New York  
USA

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Swift Code: CITIUS33

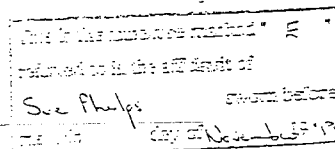
For credit account of: European Bank Limited  
For credit account no: 36121226  
Reference: For sub account no: 8901-104201-0106  
With the message: "Ref: Benford"

Once we have the company name approved and the funds are received, incorporation can be done within 24 hours. We can then open a bank account with European Bank. There are some other forms to be completed, and we will require certified copies of the passports of any signatories on the account. I can send these forms most easily via email attachments. Do you have an email address?

I look forward to your response.

Yours sincerely

Sue Phelps  
Executive Vice President - Corporate & Trust Services

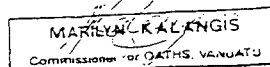


TRANSMITTED BY FAX

ON 10 FEB 1999

10:23

EUROPEAN TRUST COMPANY LIMITED



CC 000448

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09/02/99 29

VANUATU FINANCIAL SERVICES COMMISSION

Private Mail Bag 023, Port Vila, Vanuatu

Request For / Report on Name Availability


Request submitted by: European Trust Company Limited

Reply for attention of: Madeleine Apia / Bernadette Boulememe

Fax No. for reply: (678) 22884 Requested date: 09/09.02.99

NAME	ENTITY TYPE IC / CA / BN	AVAILABILITY
1. BENFORD LIMITED	IC	Yes
2. _____	_____	
3. _____	_____	
4. _____	_____	

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Signed:   
For: Financial Services  
Commission  
Date: 11/02/99

K. LAMARCA  
Commissioner  
VANUATU  
FINANCIAL SERVICES COMMISSION

Please send this form when completed to:

CG 006449

See reply  
11/02/99

3451



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## EURO BANK CORPORATION

11th. February, 1999

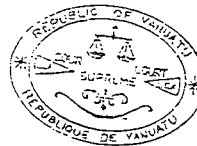
Fax To: Sue Phelps  
European Trust Company Limited  
Vanuatu

Fax No: 011-678-22884

Further to our recent exchange of faxes it would be appreciated if you would kindly forward to me a copy of the latest financial statements of the European Bank. It would be appreciated if these could be faxed to me.

Yours sincerely,

Ivan R. W. Burges  
Senior Assistant Manager



P. Box 1792 • Grand Cayman, KYG • Tel: 0431-949-6701 • Telex: 4300 Eurobank GP • Facsimile: 0431-949-6702 • Cable: Eurobank Grand Cayman  
Office: 5th Floor, Westman Square Ltd, George Town, Grand Cayman, British West Indies

CG 006454

MARILYN KALANGIS  
Commissioner of OATHS VANUATU



Correspondence  
P.O. Box 213 -  
Port Vila, Vanuatu  
Southwest Pacific

INTERNATIONAL BUILDING  
KUMUL HIGHWAY  
PORT VILA, VANUATU  
SOUTHWEST PACIFIC

Telephone: (678) 24680  
Facsimile: (678) 22884  
Telex (771) 1023 EURTRUST  
Email: Security@Vanuatu.com.vu

TO: Ivan R W Burges

FAX NO: 1-345-949-6232

COMPANY: Euro Bank Corporation

REF/DATE: EUT / 12 February, 1999

FROM: Sue Phelps

PAGE NO: 1 OF 5

Dear Mr Burges

Following is the requested financial statements for European Bank. Please note that the audit for the 1998 accounts is not yet complete, so the 1998 financial statements are not yet available.

Yours sincerely

En RL

Sue Phelps

Executive Vice President – Corporate & Trust Services

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ONLY

INCIDENTSULTPPSPCT\_euro bank corp.doc



1. The first step is to identify the problem or question that needs to be answered. This involves understanding the context and the specific requirements of the task.

...the ...

S. M. 1952

[illegible]

TRANSMITTED BY FAX  
ON 12 JUN 2000

EUROPEAN TRUST COMPANY LIMITED

CG 006455

**MARILYN KALANGIS**  
Commissioner of OATHS, VANUATU

3453

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EUROPEAN BANK LIMITED AND SUBSIDIARY COMPANIES  
Consolidated and Parent Company  
Financial Statements

For the year ended December 31, 1997

With Independent Auditors' Report Thereon

MARILYN KALANGIS  
Commissioner (OATHS VANUAT)

CG 006456

Chartered Accountants

KPMG House  
 PG Box 212  
 Port Vila  
 Vanuatu  
 South Pacific

Telephone (678) 22091  
 Facsimile (678) 22665  
 E-mail kpmg@vanuatu.com.vu

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Independent Auditors' Report to the members of  
 European Bank Limited

Scope

We have audited the financial statements of European Bank Limited for the financial year ended 31 December 1997 consisting of the profit and loss account, balance sheet, statement of cash flows and accompanying notes set out on pages 2 to 11. The financial statements comprise the accounts of the company and the consolidated accounts of the economic entity, being the company and its controlled entities. The company's Directors are responsible for the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the company.

Our audit has been conducted in accordance with International Standards on Auditing to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with applicable International Accounting Standards and statutory requirements so as to present a view which is consistent with our understanding of the company's and the economic entity's financial position and the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the financial statements of European Bank Limited have been properly prepared in accordance with the provisions of the Companies Act (CAP 191) of the Republic of Vanuatu and applicable International Accounting Standards, so as to give a true and fair view of:

- (i) in the case of the balance sheet, the state of the company's and the economic entity's affairs as at 31 December 1997;
- (ii) in the case of the profit and loss account, the company's and the economic entity's result for the financial year ended on that date; and
- (iii) the economic entity's cash flows for the financial year ended on that date.

MAILED 13 1998

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BALANCE SHEET AS AT DECEMBER 31, 1997  
(Expressed in United States Dollars)

STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF

	Note	Consolidated		Parent Company	
		1997	1996	1997	1996
Current Assets					
Cash	17	12,517,975	1,924,563	12,588,275	1,899,545
Debtors & prepayments	3	182,996	222,171	16,294	26,952
Unquoted investments	5	390,020	1,223,473	18,534	1,035,715
Loans and borrowings	9	665,115	859,538	483,730	339,474
Bond		5,182	101,788	450	101,788
		<u>13,861,288</u>	<u>4,331,553</u>	<u>13,107,263</u>	<u>3,402,474</u>
Long-Term Assets					
Property, plant and equipment	4	152,404	178,700	-	-
Investments	11	1,000,000	-	1,950,001	950,001
Bonds	7	578	700	578	700
		<u>1,152,982</u>	<u>179,400</u>	<u>1,950,579</u>	<u>950,701</u>
Total Assets		<u>15,014,270</u>	<u>4,511,053</u>	<u>15,057,842</u>	<u>4,354,175</u>
Current Liabilities					
Accounts payable & accruals	8	120,547	104,670	58,964	44,370
Client payments in advance		3,812	5,990	-	-
Deferred income		22,118	13,990	-	-
Deposits	6	12,379,863	1,557,710	12,410,325	1,567,353
Interest bearing deposits	6	93,100	86,492	93,100	86,492
Provision for legal fees		-	-	-	-
		<u>12,624,540</u>	<u>1,873,853</u>	<u>12,562,389</u>	<u>1,798,215</u>
Long-Term Liabilities					
Provision for redeemable preference shares		-	1,766	-	1,766
		<u>-</u>	<u>1,766</u>	<u>-</u>	<u>1,766</u>
Total Liabilities		<u>12,624,540</u>	<u>1,875,618</u>	<u>12,562,389</u>	<u>1,799,981</u>
NET ASSETS		<u>2,389,730</u>	<u>2,635,435</u>	<u>2,495,453</u>	<u>2,554,194</u>
<div> <div> Shareholders' Interests Attributable to Members of Parent Company </div> <div> </div> </div>					
Share capital		750,000	750,000	750,000	750,000
Reserves		1,250,000	1,250,000	1,250,000	1,250,000
Retained earnings		389,730	635,435	495,453	554,194
SHAREHOLDERS' INTERESTS		<u>2,389,730</u>	<u>2,635,435</u>	<u>2,495,453</u>	<u>2,554,194</u>

  
DIRECTOR

  
DIRECTOR

The consolidated and parent company financial statements are to be read in conjunction with the notes to and forming part of the consolidated and parent company financial statements set out on pages 5 to 11.

MARILYN KALANGIS  
Commissioner of OATS VANUATU

SUB COMMITTEE  
13 DEC 1997

CG 006458

And Subsidiary Companies

INCOME STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1997  
(Expressed in United States Dollars)

	Note	Consolidated		Parent Company	
		1997	1996	1997	1996
Operating profit	2	221,957	248,739	205,246	45,325
Opening Retained Earnings		635,435	713,648	534,194	822,345
Total Available For Appropriation		857,392	962,387	739,440	867,670
Dividends paid and or proposed	10(b)	(467,662)	(326,952)	(263,987)	(313,476)
Closing Retained Earnings		389,730	635,435	495,453	554,194

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CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

The consolidated and parent company financial statements are to be read in conjunction with the notes to and forming part of the consolidated and parent company financial statements set out on pages 5 to 11.

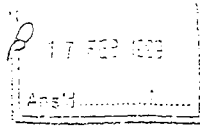


MARILYN KALARGIS  
Commissioner of OATHS AND NOTARY

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EURO BANK CORPORATION

16th February, 1999

STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

Fax To: Sue Phelps  
European Trust Company Limited  
Vanuatu

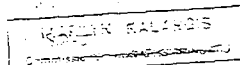
Fax No: 011-678-22334

Further to our recent exchange of faxes I am pleased to advise you that I have today arranged for the sum of US\$100,000.00 to be wired to your account through Citibank New York with the message Benford.

You will also be receiving via fax your firm's application form duly completed. If there are any problems or omissions please let me know.

Yours sincerely,

Ivan R. W. Burgess  
Senior Assistant Manager



10, Rue de la Paix - 1000 Bruxelles - Belgique • Tel: 02 512 40 00 • Telex: 320300 • Fax: 02 512 40 01 • Cable: EUROPE GRAND CAYMAN  
Director: 100 Broad Street, Suite 1000, New York, New York 10004 • Tel: 212 666 6666 • Cable: EUROPE GRAND CAYMAN

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P. 2

TT JUNE

FORM 'A'

# COMPANY INCORPORATION INSTRUCTIONS (International Companies)

To: European Trust Company Limited  
P.O. Box 213  
Port Vila, VANUATU  
Southwest Pacific Ocean.

Please incorporate an international Vanuatu company limited by shares on my/our behalf in accordance with the following particulars:

- X 1. Name: 1st choice VARLESSA P.A. CLYDE BENFORD LIMITED  
2nd choice \_\_\_\_\_  
3rd choice \_\_\_\_\_
2. Choice of words or abbreviation at end of the name to denote limited liability LIMITED
3. First Member(s): ☒ (a) European Trust Company Limited (EUT) to supply on \*  
behalf of the persons listed in Schedule A or  
☐ (b) Per Schedule A.
4. First Director(s): ☒ (a) EUT to supply (if EUT supplies, annual accounts must be done) or \*  
☐ (b) Per Schedule B.
5. First Company Secretary: ☒ (a) EUT to supply \*  
☐ (b) Name of Appointee (Appointee must provide consent to act).  
☐ (c) None to be appointed
- X 6. Precise description of business or operations: INVESTMENT HOLDING
- X 7. Books of account: To be kept by EUROPEAN TRUST  
in VANUATU in currency of US\$
- X 8. Share capital: Denominated in currency of US\$  
No. of shares to be issued 100  
Par value of each share (if any) US\$1
9. Constitution: ☒ (a) EUT's standard with pre-emptive rights (which if no other shareholder  
wants the shares and the board refuses a proposed transfer to a non-  
member transfer to a non member, then the Co. must buy back the shares),  
and/or  
☐ (b) Special requirements as attached (which will incur a surcharge).  
☐ (c) No bearer shares allowed. This option allows registration in Hong Kong  
without the requirement to lodge audited accounts
- X 10. Statutory Registers: Minutes, Registers of Directors, Members and officers will be kept by  
EUROPEAN TRUST CO  
in VANUATU
- X 11. Annual Balance Date: ☒ (a) End of month of incorporation. MARCH  
☐ (b) \_\_\_\_\_
12. Auditors: ☒ (a) \_\_\_\_\_  
☐ (b) None to be appointed
- X 13. Further instructions: To be authorized by \_\_\_\_\_ \*and/or  
using \_\_\_\_\_  
\*and identified by the code word \_\_\_\_\_
- X 14. Interested Parties: The names of all interested parties are set out in Schedule C.  
(Signature) \_\_\_\_\_  
(Print name) VARLESSA P.A. CLYDE (Signature) \_\_\_\_\_  
(Print name) \_\_\_\_\_

(\* cross out whichever not applicable)

INSTRUCTIONS FOR INCORPORATION

## SCHEDULE 'A'

- \* 3 (a) Persons on behalf of whom EUT will be acting as agent and nominee member  
 \* 3 (b) Particulars of nominated members

NAME	ADDRESS	NATIONALITY	OCCUPATION
VANESSA CLYDE	8 POINT ST. MEWS LONDON SW1XAF ENGLAND	LONDON	BUSINESS

## SCHEDULE 'B'

- \* 4 Particulars of persons to be appointed directors of the company upon incorporation:

NAME	ADDRESS	NATIONALITY	OCCUPATION
------	---------	-------------	------------

## SCHEDULE 'C'

- Particulars of all persons who will have an equitable interest (registered or otherwise) in the company:

NAME	ADDRESS	NATIONALITY	OCCUPATION
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- b) Prior to the acceptance by the Appointees of an appointment hereunder, the Interested Party shall deliver to EUROPEAN TRUST such documents as EUROPEAN TRUST shall reasonably require and hereby irrevocably authorizes each of the Appointees to complete, date and use such documents in the event of such termination so as to give effect thereto and to the appointment of substitutes. The Interested Party hereby irrevocably authorizes each of the Appointees to appoint the Interested Party as its substitute if in EUROPEAN TRUST's absolute discretion it considers such substitution to be necessary to terminate the service being rendered.
6. EUROPEAN TRUST may, from time to time, vary the fees specified in its published Schedule of Fees and may also vary the terms and conditions therein by altering, adding to or deleting any or all of them or making any new terms and/or conditions and may also substitute any of the Appointees with another.
7. a) This Agreement shall operate for the benefit of each of the Appointees, whether original or substituted and shall continue for their benefit notwithstanding termination.  
b) The obligations of the Interested Party hereunder, if more than one, shall be joint and several and shall be binding on the legal representatives and successors of the Interested Party.
8. It is expressly agreed that this Deed shall be effective in itself on the signing, sealing and delivering thereof by the Interested Party and the absence of signing, sealing and delivery by EUROPEAN TRUST shall be of no consequence nor in any way detract from the effectiveness or validity of the Deed.
9. This Agreement shall be governed by and construed in accordance with the laws of Vanuatu and the Interested Party hereby irrevocably submits to the non-exclusive jurisdiction of the Vanuatu Courts.

"SCHEDULE A" - "The Interested Party" is the person or persons other than EUROPEAN TRUST whose signature(s) appear(s) hereon.

X "SCHEDULE B" - BENFORD LIMITED Limited  
or \_\_\_\_\_ Limited  
or \_\_\_\_\_ Limited

"SCHEDULE C" - Being a person or persons nominated by the Interested Party as being authorized to make suggestions to EUROPEAN TRUST pursuant to Clause 2 hereof and more particularly described below:

X Print full name, address and occupation Signature  
VANESSA P.A. CLYDE [Signature]  
8 POPE STREET, MEWS  
LONDON SW1X 0AF  
ENGLAND

(If more than one party, indicate whether they are to act jointly or severally or otherwise).

In Witness whereof the parties hereto affixed their hands and seals this \_\_\_\_\_ day of \_\_\_\_\_ 19\_\_\_\_

INTERESTED PARTY Signature [Signature] Witness JAY L. ABRAHAM  
Printed Name VANESSA P.A. CLYDE Title LAWYER

X 2. Signature \_\_\_\_\_ Witness \_\_\_\_\_  
Printed Name \_\_\_\_\_ Title \_\_\_\_\_  
3. Signature \_\_\_\_\_ Witness \_\_\_\_\_  
Printed Name \_\_\_\_\_ Title \_\_\_\_\_

(The Witness should be a Commissioner for Oaths, J.P., Notary, or Professional Person)

The Common Seal of EUROPEAN TRUST COMPANY LIMITED was hereunto affixed by order of the Board of Directors in the presence of: Director: \_\_\_\_\_ Secretary: \_\_\_\_\_

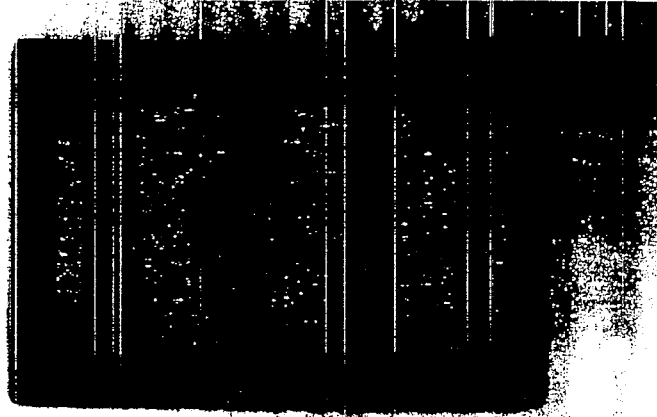
EUROPEAN TRUST COMPANY LIMITED

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PAGE 04  
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Redacted Information  
in Subcommittee Files

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3462

Company Limited

Correspondence  
P.O. Box 212  
Port Vila, Vanuatu  
Southwest Pacific

INTERNATIONAL BUILDING  
KUMUL HIGHWAY  
PORT VILA, VANUATU  
SOUTHWEST PACIFIC

Telephone: (678) 24680  
Facsimile: (678) 22884  
Telex: (771) 1023 EURTRUST  
Email: Security@Vanuatu.com.vu

## Facsimile Message

TO: Ivan R. W. Burges

FAX NO: 1-345-949-6232

COMPANY: Euro Bank Corporation

REF/DATE: EUT / 17 February, 1999

FROM: Sue Phelps

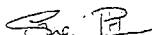
PAGE NO: 1 OF 1

Dear Mr Burges

96

This is to confirm receipt of the faxed application form and the funds. We will proceed to incorporate Benford Limited and will send you confirmation as soon as it is done.

Yours sincerely



Sue Phelps  
Executive Vice President - Corporate & Trust Services

STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

ALLEN-SELTARSKY euro\_bank\_corp.doc

MARKYAN KOSLOV  
Commissioner of Internal Revenue

EUROPEAN TRUST COMPANY LIMITED

TRANSMITTED BY FAX  
ON 17 FEB 1999 14:00  
WDC

CG 006461

3463



International Building,  
P O Box 213,  
Port Vila, Vanuatu  
Southwest Pacific

European Trust Company Limited  
Telephone: (678) 24680  
Fax : (678) 22884  
Telex : (771) 1023 EURTRUST NH  
Compuserve 763043717  
E-Mail : security@vanuatu.com.vu

## Facsimile Message

TO : Mr. Ivan R. W. Burges FAX NO : 345-949-6232  
COMPANY: Euro Bank Corporation REF/DATE : EUT/19.02.99  
FROM : Sue Phelps PAGE NO : 1 of 2

STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

Dear Mr. Burges,

Re : Benford Limited

Please note that following the Vanuatu Financial Services Commission network failure, we have just received the certificate for the above company today.

We are now pleased to advise that the above company has been incorporated. We attach a copy of the Certificate of Incorporation for your records.

Please advise whether the original Constitution and the duplicate Certificate of Incorporation should be forwarded to you or to Ms Clyde.

Kind Regards,

Sue Phelps  
Snr. Vice President  
Corporate & Trust Services



Encls.

MARILYN KALANGIS

TRANSMITTED BY FAX

IF YOU DO NOT RECEIVE ALL THE PAGES PLEASE CONTACT US IMMEDIATELY

EUROPEAN TRUST COMPANY LIMITED

CG 006462

3464



*REPUBLIC OF VANUATU*  
*VANUATU FINANCIAL SERVICES COMMISSION*  
*THE INTERNATIONAL COMPANIES ACT No. 32 of 1992*  
*CERTIFICATE OF INCORPORATION*

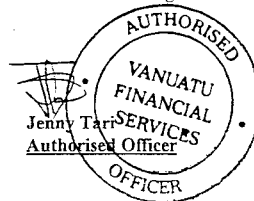
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Company Number	: 25193
Company Name	: BENFORD LIMITED
Date of Incorporation	: 18 February 1999
Company Type	: International Company limited by Shares

---

THIS IS TO CERTIFY that the above named company is this day incorporated  
under the provisions of section 5, subsection (2) of the International Companies Act.

Given under the Official Seal of the Commission at Port Vila this eighteenth day of February 1999.





3465

FEB-22-99 14:47 FROM: EUROBANK CORPORATION

ID:

PAGE 1



EURO BANK CORPORATION

22nd February, 1999

STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

Fax To: Sue Phelps  
European Trust Company Limited  
Vanuatu

Fax No: 011-678-22884

Re: Bonford Limited

I thank you for your fax message of the 19th February the contents which are noted.  
Please forward the original documentation to Miss Clyde.

Yours sincerely,

Ivan R. W. Burges  
Senior Assistant Manager

CG 006464

**BENFORD LIMITED**

WRITTEN RESOLUTIONS OF THE SOLE MEMBER PASSED AT THE INTERNATIONAL BUILDING, KUMUL HIGHWAY, PORT VILA, VANUATU ON THURSDAY 18<sup>TH</sup> FEBRUARY 1999 AT 3:30 P.M.

---

**CERTIFICATE OF INCORPORATION:**

NOTED THAT all matters in connection with the registration of the Company had been attended to. The Certificate of Incorporation, and a copy of the Constitution, as registered, were noted.

**APPOINTMENT OF FIRST DIRECTOR:**

RESOLVED THAT Diract Limited, having provided a written consent to so act, be appointed the First Director of the Company.

**APPOINTMENT OF OF SECRETARY:**

RESOLVED THAT Lotim Limited, having provided a written consent to so act, be appointed Secretary of the Company.

**ADOPTION OF SEAL:**



RESOLVED THAT the Seal, an impression of which is affixed to these resolutions, be and is hereby adopted as the Common Seal of the Company

and further

RESOLVED THAT the affixing of the seal be attested by the signature of any one Director, or any one Director and Secretary, or any two Directors.

**SHARE ALLOTMENT:**

The following application was received:

Meldrew Limited - US\$100.00 for One Hundred (100) fully paid ordinary shares @ US\$1.00 each.

RESOLVED THAT the allotment of 100 shares be recorded in the Register of Members, the Common Seal be affixed to a Certificate covering the shares so applied for, and that such Share Certificate be delivered to the said applicant.

B

[illegible]

**Register of Directors**

**ENFORD LIMITED** (Code: ENF-L)

NAME	ADDRESS	NATIONALITY	OCCUPATION	DATE OF APPOINTMENT	DATE OF RESIGNATION	DIRECTORSHIP
Direct Limited	1 <sup>st</sup> Floor International Building Kumul Highway Port Vila Vanuatu	Vanuatu	Corporate Director	18/02/99		Submitted six monthly

3/17/18 By: Gary-Dun-Reg.doc

**FORD LIMITED (Code: BNF-L)** **Register of Officers**

NAME	OCCUPATION	ADDRESS	DATE OF APPOINTMENT	DATE OF RESIGNATION
Lotim Limited	Corporate Secretary	C/- 1 <sup>st</sup> Floor, International Building Kumul Highway Port Vila – Vanuatu	18/02/99	

# Share Certificate

CERTIFICATE NO: 1

REGISTER: PORT VILA

## BENFORD LIMITED

Incorporated under the International Companies Act No. 32 of 1952 of Vanuatu

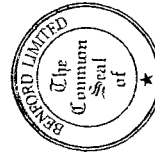
REGISTERED OFFICE: First Floor, International Building, Kumul Highway, Port Vila, Vanuatu.

DISTINCTIVE NUMBERS		NO.
FROM	TO	
1	100	100
TOTAL		100

*This is to certify that Meldrew Limited  
of First Floor, International Building, Kumul Highway, Port Vila, Vanuatu  
is the registered holder of One Hundred (2) Fully Paid Ordinary shares  
numbered as in the margin hereof, on which the sum of US\$1.00 per share  
has been paid subject to the Constitution of the Company.*

*Given under the Common Seal of the Company,*

*This 16<sup>th</sup> day of February, 1999.*



*[Signature]*

Direct Limited (Director)  
by its authorised officer

*[Signature]*

Letim Limited (Secretary)  
by its authorised officer

This certificate must be surrendered to the company on transfer of any of the above shares.

**NOMINEE DECLARATION**

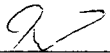
**TO:** Ms Vanessa P.A. Clyde  
of 8 Point Street Mews, London SW1X 0AF, England.

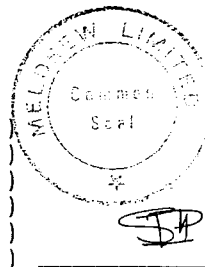
We, Meldrew Limited of 1<sup>st</sup> Floor, International Building, Kumul Highway, Port Vila, Vanuatu, in respect of One Hundred (100) Ordinary Shares paid to US\$1.00 numbered 1 to 100 of and in the undertaking called "**BENFORD LIMITED**":

1. **HEREBY ADMIT** that the abovementioned shares are your absolute property and that they only stand registered in our name at your request as your nominee in Trust for you absolutely and that we have no beneficial interest therein whatsoever.
2. **HEREBY AGREE** to deal with the said shares and all dividends and interest thereon and any other benefits or advantages accruing in respect thereof and to vote at all meetings as you may direct.
3. **HEREBY APPOINT** you irrevocably as our attorney in our name and on our behalf to execute a transfer of the said shares as you think fit and to complete any other deed or documents for the purpose of completion, or effecting such transfer.
4. **HEREBY DECLARE** and agree that you have the power from time to time by writing under your hand to remove us as your nominee and to appoint a new nominee hereunder in our place.

Dated this 18<sup>th</sup> day of February, 1999.

The Common Seal of MELDREW LIMITED  
was hereunto affixed by order of the  
Board in the presence of:

  
\_\_\_\_\_  
Zenith Inc. (Secretary)  
by its authorised officer



\_\_\_\_\_  
Orion Inc.  
by its authorised officer

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## MELDREW LIMITED

INTERNATIONAL BUILDING  
KUMUL HIGHWAY  
PORT VILA, VANUATU  
SOUTHWEST PACIFIC

Correspondence  
P.O. Box 213  
Port Vila, Vanuatu  
Southwest Pacific

International Direct Dialing:  
Telephone: (678) 24169  
Facsimile: (678) 22884  
Email: Security@Vanuatu.com.vu

Ms Vanessa Clyde  
8 Point Street Mews,  
London SW1X 0AF  
ENGLAND

23 September 1999

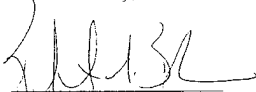
Dear Ms Clyde:

We refer to our NOMINEE DECLARATION in your favour dated 18<sup>th</sup> February 1999 for 100 shares in the capital of Benford Limited which we completed on instructions received from a third party, Euro Bank Limited of the Cayman Islands, which indicated that you were the beneficial owner.

We are now on notice, pursuant to your affidavit of 22 September 1999 in Civil Case No. 85 of 1999, that you knew nothing of the founding of Benford Limited. Further, it is to our knowledge that you have never paid for any of the issued shares of Benford Limited which are the subject of the Nominee Declaration, nor of any other fee associated with the company's incorporation.

Now being aware that you have stated under oath that you knew nothing of the founding of Benford Limited, we hereby advise you that we revoke the above mentioned Nominee Declaration made in your favour on 18<sup>th</sup> February 1999.

Yours faithfully,



Orion Inc. (Director) by its duly  
authorised signing officer



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**BENFORD LIMITED**

WRITTEN RESOLUTIONS OF THE SOLE DIRECTOR PASSED AT THE  
INTERNATIONAL BUILDING, KUMUL HIGHWAY, PORT VILA, VANUATU ON  
WEDNESDAY 1<sup>ST</sup> SEPTEMBER 1999 AT 4:00 P.M.

---

**APPOINTMENT  
OF SOLICITORS:**

Having been served in respect of Civil Case 85 of 1999  
concerning the nature of the funds held in the company's account  
with European Bank Limited

it was  
RESOLVED THAT the law firm of Geoffrey Gee & Co., Port Vila  
be retained as legal counsel to the company to represent the  
company generally and specifically in relation to any court  
matters.

Signed as a correct record,

Direct Limited (Sole Director)  
By its authorised officer,



---

Sue Phelps

3474



EURO BANK CORPORATION

22nd February, 1999

STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

Fax To: Sue Phelps  
European Trust Company Limited  
Vanuatu

Fax No: 011-678-22884

Re: Bonford Limited

I thank you for your fax message of the 19th February the contents which are noted.  
Please forward the original documentation to Miss Clyde.

Yours sincerely,

Ivan R. W. Burges  
Senior Assistant Manager

3475

01/23/1995 22:25 31845732764

PAGE 01

2-23-99

Dear Sue Phelos:

A few questions:

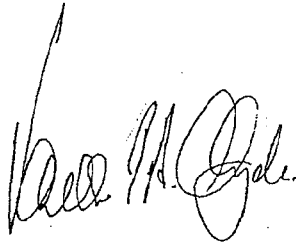
1. Is Benford set up as a corporation now, and is it in good standing?
2. Do you or can you place Benford client funds in a market account? Is a New York brokerage fund and keep privacy?
3. What are the interest rates paid on CDs of \$100,000.00 and \$1,000,000.00 increments for terms of 30 days, 6 months, and 1 year?
4. Do you have another name or number that can be used instead of Benford for privacy on the "message reference" that will still terminate in the Benford account? This will insure wiring companies and other interested parties with more banking privacy.

Until further arrangements are made, please fax back with the code word "Benford" to me c/o

Ivan Burgus  
345-949-6232

Thank You,

Vanessa Clyde

A handwritten signature in dark ink, appearing to read "Ivan H. Burgus". The signature is fluid and cursive, with a long vertical stroke at the beginning and a large loop at the end.

3476

## European Trust Company Limited

International Building  
P O Box 113  
Port Vila, Vanuatu

Telephone : (678) 24680  
Facsimile : (678) 22884  
Telex : (771) 1023 EUKTRUST NH  
E-mail : Security@Vanuatu.com.vu

Our Ref: 0003SUP.mfa/E

24<sup>th</sup> February 1999

Ms Vanessa P. A. Clyde  
8 Point Street Mews  
LONDON SW1X 0AF  
ENGLAND

STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

Dear Ms Clyde,

Re : Benford Limited

We are pleased to confirm the incorporation of the above entity as an international company on 18<sup>th</sup> February 1999.

We now enclose for your information and retention:

- Original copy of Constitution.
- Copy of Certificate of Incorporation.
- Certified copy of Written Resolutions of the Sole Member dated 18<sup>th</sup> February 1999.
- Certified copy the Share Certificate No.1, as well as the original Nominee Declaration in favor of Meldrew Limited, in respect of the shares issued.
- Certified copy of the Management Services Agreement between Benford Limited and European Trust Company Limited dated 18<sup>th</sup> February 1999.

Please note the following matters.

### Directorships

The Vanuatu International Companies Act requires that the company must have at least one Director. The appointment of our service company, Durant Limited as Director, satisfies that requirement.

### Accounting Records

We note that the records will be maintained by European Trust Company Limited here in Port Vila, Vanuatu, in the currency of United States Dollars. We will account to you for any transactions which pass through our books, on behalf of the company.

### Annual Balance Date

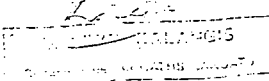
We note that the accounts be prepared and made up to the 31<sup>st</sup> March in each year.

### Audit

It is not legally necessary for Benford Limited to appoint auditors. However, if you wish to appoint auditors, then please note the following locally licensed firms maintain offices in Port Vila:-

Adams and Co.  
Conway & Company  
Messrs B. C.  
Messrs Despres

BDO Barren & Sinclair  
KPMG



CG 006466

Ms Vanessa P. A. Clyde  
18 Point Street Mews  
LONDON SW1X 0AF  
ENGLAND

Page 2

24<sup>th</sup> February 1999

#### Annual Fees

Please note that we have billed our annual fees from 18<sup>th</sup> February 1999 to 18<sup>th</sup> February 2000, as we bill our annual fees from anniversary to anniversary. Therefore, our April account (we bill 3 months in advance) will be for a full year's fees. The fees and expenses we have billed at present are :-

Establishment Fee	US\$ 500.00
Government Incorporation Fee	US\$ 150.00
Government Annual Registration Fee due 30/06/1999	US\$ 150.00
Annual Company Representation Fee (18/02/1999 to 18/02/2000)	US\$ 950.00
Bond	US\$ 350.00
	<u>US\$7,100.00</u>

Please let us know if you have any queries in this regard.

#### Other Enclosures:

Our current schedule of fees for your information.

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#### Retention of Company documents

We will archive our work papers and correspondence regarding the company for six years (as required by Vanuatu law), or longer if specifically required by you. The files will then be destroyed without further reference to you.


If you wish to have company files in our possession retained longer than six years, please advise us in writing before the expiry date. Any extension of time may attract a charge to cover our storage and administration costs.

#### Retention of Profits & Dividends

We are not able to provide you with legal advice in respect of the tax laws which may apply to you or other beneficial owners or directors. If you are uncertain how to treat profits earned by the company, you need to seek professional advice in your country.

If you have any questions regarding the foregoing, please write to us. Our trust officer, Julie Amshabah has been given the responsibility of looking after the affairs of the company under the supervision of David L. Outhred (Vice President - Corporate & Trust Services) and myself. We look forward to a long and mutually rewarding association with you.

Yours faithfully,

  
\_\_\_\_\_  
Sue Phelps  
Executive Vice President

Encls.

CG 006467

3478



International Building,  
P O Box 213,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone: (678) 24680  
Fax : (678) 22884  
Telex : (771) 023 EURTRUSTNH  
Compuserve 76304,3717

security@vanuatu.com.vu

E-Mail :

## Facsimile Message

TO : Ms Vanessa Clyde c/o Mr. Ivan R. W. Burges

FAX NO : 1-345-949-6232

COMPANY: Euro Bank Corporation

REF/DATE : EUT/24.02.99

FROM : Sue Phelps

PAGE NO : 1 of 1

Dear Mr. Burges,

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SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

Re : Benford *cc*

In answer to the questions posed by Ms Clyde, I provide the following answers numbered accordingly.

1. Benford has been duly incorporated and is in good standing. Incorporation documentation has been forwarded to Ms Clyde.
2. We are able to invest funds in any way you wish with complete privacy. Through our sister company, European Bank we have access to the international markets. We have on-line Reuters screens, as well as Bloomberg television and internet access, so are able to monitor rates throughout the world.
3. Indicative rates are as follows:

	30 days	6 mths	1 year
\$100,000.00	4.225%	4.35%	4.5375%
\$1,000,000.0	4.2875%	4.4125%	4.6%
4. There is a three-letter code assigned as your company reference. This is BNF. You may use this in any correspondence or message reference secure in the knowledge that this is unique. Alternatively, you may use the company number which is assigned by the Vanuatu Financial Services Commission and appears on your Certificate of Incorporation. I find that alpha characters are less likely to be typed in error, whereas numbers do cause problems.

Kind Regards,

*Sue Phelps*  
Sue Phelps  
Executive Vice President

MARTIN KALINGOS

IF YOU DO NOT RECEIVE ALL THE PAGES PLEASE CONTACT US IMMEDIATELY  
**EUROPEAN TRUST COMPANY LIMITED**

CG 006468

ACCOUNT OPENING QUESTIONNAIRE - CORPORATE ACCOUNT Exhibit 9a

TO: European Bank Limited  
P.O. Box 65  
Port Vila  
VANUATU

24/02/99

Account to be opened:    - Current Account    ☒    Investment Call Account    ☐  
                                      - Term Deposit        ☐        Fiduciary Deposit        ☐  
                                      - Investment Portfolio    ☐

As a company interested in operating an account(s) with yourselves, we hereby provide background information about ourselves on a strictly confidential basis.

ACCOUNT TO BE STYLED AS: BENFORD LIMITED

PLACE/DATE OF INCORPORATION: VANUATU - 18 FEBRUARY 1999

REGISTERED OFFICE ADDRESS: FIRST FLOOR, INT'L BUILDING, KUMUL HIGHWAY, PORT VILA

MAILING ADDRESS: P. O. BOX 213  
PORT VILA, VANUATU.

TELEPHONE NO: (678) 24680                      FACSIMILE NO: (678) 22884

EMAIL ADDRESS: Security@Vanuatu.com.vu

ACTIVITIES: Investment Holding Company

1. Our current financial position is set out below/attached:

LIABILITIES	ASSETS
Banks (Secured) <u>Nil</u>	Cash at Bank
Banks (Unsecured)	Deposits
Finance Companies	Marketable Investments (Market Value) <u>US\$98,000.00</u> <sup>PC</sup>
Mortgages	Non-Marketable Investments
Sundry Loans (Secured)	Accounts Receivable
Sundry Loans (Unsecured)	Life Assurance (Cash Surrender Value)
Income Tax Payable	Real Estate
Accounts Payable	Furniture, Fittings - Home
Other Liabilities	Motor Vehicles
	Equity in Business or Company
	Superannuation, Pension Benefits
	Other Assets
NET WORTH (DEFICIT)	
TOTAL LIABILITIES	TOTAL ASSETS <u>US\$98,000.00</u>

FULL NAME	NATIONALITY	BUSINESS OCCUPATION & PASSPORT NO	DATE OF BIRTH
DIRECT LIMITED	VANUATU COMPANY	CORPORATE DIRECTOR	22/09/76
LOTIM LIMITED	VANUATU COMPANY	CORPORATE SECRETARY	22/09/76

3. (a) We were referred to European Bank Limited by

EUROPEAN TRUST CO., LTD.

- (b) In case of need we suggest you refer to the following references:

<u>NAME</u>	<u>POSITION/TITLE</u>	<u>ADDRESS</u>	<u>TELEPHONE</u>	<u>FACSIMILE</u>

4. NAME, ADDRESS OF EXISTING BANKERS:

We have banked with them for \_\_\_\_\_ years/months.

- 5 NAME/ADDRESS OF OUR SOLICITORS:

Name of person acting for us: \_\_\_\_\_ Telephone: \_\_\_\_\_  
 Telephone: \_\_\_\_\_

- 6 NAME ADDRESS OF OUR ACCOUNTANTS:

NAME, ADDRESS OF OUR ACCOUNTANTS: European Trust Co. Ltd.  
Name of person acting for us: Julie Annabath Telephone: \_\_\_\_\_

7. We will not request or direct that any account(s) operated through European Bank Limited carry out any illegal or questionable transactions.

8. We believe that the following additional information (if any) will be helpful in establishing a customer relationship with European Bank Limited

9. We understand that the foregoing information is for the confidential use of European Bank Limited and that it will not be disclosed to any third party without our permission, and that the secrecy laws of Vanuatu cover this information filed with European Bank Limited.

SIGNED

(Print Name)

DIRECT LIMITED

By its very nature, it is



## MANDATE FOR ACCOUNTS OF A LIMITED COMPANY

Name of Company : BENJORD LIMITEDRegistered Office: FIRST FLOOR, INTERNATIONAL BUILDING, KUMUL HIGHWAY, PORT VILA.To EUROPEAN BANK LIMITEDAt a meeting of the directors duly held at INTERNATIONAL BUILDING, KUMUL HIGHWAY, PORT VILA,VANUATU on 19 FEBRUARY 19 99 the following resolutions were passed :

1. That a current account/current account and deposit account/savings account\* be opened/continued\* with EUROPEAN BANK LIMITED and any other account or accounts as may be subsequently directed by any †  
Director/s or by ANY 2 EUT AUTHORISED SIGNATORIES, SIGNING JOINTLY.
2. That the Bank be instructed to honour and comply with all cheques, promissory notes and other orders drawn, and all bills accepted on behalf of the Company, whether the current account be in credit or overdrawn, to comply with all directions given for or in respect of any account or accounts of any kind whatsoever on behalf of the Company, and to accept and act upon all receipts for monies deposited with or owing by the Bank on any account or accounts in the name of the Company, provided that such cheques, promissory notes, orders, bills, directions or receipts are signed by any  
† Director/s or by ANY 2 OF EUT AUTHORISED SIGNATORIES, SIGNING JOINTLY,
3. That any † Director/s or ANY 2 OF EUT AUTHORISED SIGNATORIES, SIGNING JOINTLY, be authorised to withdraw and deal with any of the Company's securities or property or documents of title thereto which may be deposited with the Bank for safe custody or in safe deposit from time to time, whether by way of security or otherwise.
4. That any † Director/s or ANY 2 OF EUT AUTHORISED SIGNATORIES, SIGNING JOINTLY be authorised to arrange with the Bank for advances to the Company by way of discount, loans, overdraft or otherwise, and for the granting of credits and the issue of guarantees by the Bank from time to time as required, and to sign on behalf of the Company any form of deposit and withdrawal, Memorandum of Deposit, Letter of Trust, Mortgage, Hypothecation and Pledge relating to any securities or property or documents of title relating thereto to secure the said advances and any obligations, undertakings, instructions, guarantees, indemnities and counter-indemnities, and any other documents which may be required by the Bank in connection with the aforesaid facilities insofar as they are not by their nature required to be executed under the Common Seal of the Company.
5. That in the absence of any directions to the contrary, all accounts subsequently opened shall be operated and dealt with upon the terms set out above insofar as the same may be applicable.
6. That the Bank be forthwith supplied with a copy of the Company's Memorandum and Articles of Association (or equivalent document) and with a copy of each amending special resolution as soon as the same has been passed, and with sight of the Certificate of Incorporation and Certificate to Commence Business (if any).
7. That the Bank be supplied with a list of the names and specimens of the signatures of the Directors and any other person or persons authorised to sign on behalf of the Company, and be from time to time informed by notice in writing under the hand of the Chairman of the Company of any changes which may take place therein, and be entitled to act upon any such notice until the receipt of further notice under the hand of the Chairman of the Company.
8. That a copy of any resolution of the Board if purporting to be certified as correct by the Chairman of the Meeting shall as between the Bank and the company be conclusive evidence of the passing of the resolution so certified.
9. That all agreements, contracts, transactions, matters and things arising now or in the future out of or in connection with these resolutions shall be governed by and construed in accordance with British law as applicable in the Republic of Vanuatu or any laws replacing or amending the same pursuant to the Constitution of Vanuatu irrespective of the nationality or citizenship or country of incorporation of the Company or its directors, shareholders and officers as applicable.

\* Delete whichever is not applicable    † Insert the words "one", "two" or as the case may be

B

10. That these resolutions be communicated to the Bank and remain in force until an amending resolution shall have been passed by the Board of Directors and a copy thereof certified by the Chairman of the Meeting shall have been delivered to the Bank.

I HEREBY CERTIFY that the foregoing are true copies of the resolutions as entered in the Minute Book of the Company and are in accordance with the Articles of Association of the Company, or other constituent document.

Dated at PORT VILA this FRIDAY day of 19 FEBRUARY 19 99



Director/Company Secretary DIRECT LIMITED

N.B. All alterations and deletions must be initialled by the officer completing this form.

**Directors**  
Names of Directors in full

Specimen Signatures

EUT AUTHORISED SIGNATORIES LIST  
ATTACHED.

ANY 2, SIGNING JOINTLY,

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Other Authorised Signatories**  
Names of other persons authorised to sign as  
above, in full

Specimen Signatures

(CAPACITY) \_\_\_\_\_

\_\_\_\_\_

(CAPACITY) \_\_\_\_\_

\_\_\_\_\_

(CAPACITY) \_\_\_\_\_

\_\_\_\_\_

**BENFORD LIMITED**

WRITTEN RESOLUTIONS OF THE SOLE DIRECTOR PASSED AT THE  
INTERNATIONAL BUILDING, KUMUL HIGHWAY, PORT VILA, VANUATU  
ON FRIDAY 19<sup>TH</sup> FEBRUARY 1999 AT 8:30 A.M.

---

**BANK OPERATIONS:** RESOLVED THAT an account (hereafter called  
the "said account") in the Company's name be  
opened with European Bank Limited, Port Vila,  
Vanuatu branch

and further

RESOLVED THAT transfers out of the account  
by cheque, telegraphic transfer, direct debit,  
letter, fax or email instruction be by any two  
European Trust Company Limited Authorised  
Signatories, signing jointly, and that any two  
European Trust Company Limited Authorised  
Signatories, signing jointly, be empowered to  
endorse cheques, drafts, promissory notes and  
other negotiable instruments for and on behalf  
of the company

and further

RESOLVED THAT the resolutions in the Bank's  
mandate for the opening of accounts as  
presented to this meeting be adopted and form  
part of this minute and the mandate be  
completed as required and forwarded to the  
Bank.

Signed as a correct record,

Diract Limited (Sole Director)  
By its authorised officer,



---

Sue Phelps





## European Bank Limited

International Building,  
P O Box 65,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone: (678) 27700  
Fax : (678) 22884  
Telex : (771) 55023 EURTRUST NH  
Email : info@europeanbank.net

### ACKNOWLEDGMENT AND AGREEMENT

The account holder takes due note and in consideration of the Bank making banking facilities available to the account holder, agrees that:

- i) The banking secrecy privilege protected by Section 381 of the Companies Act [CAP 191], the Trust Companies Act [CAP 10] and Section 125 of the International Companies Act No. 32 of 1992 is not unrestricted. The officers and employees of the Bank are liable to provide evidence in Vanuatu and information vis-a-vis statutory and government agencies and/or pursuant to orders made by the Supreme Court of Vanuatu when required to do so pursuant to the laws of Vanuatu (such as during a criminal proceeding). Such an obligation also exists vis-a-vis foreign authorities, in so far as the Republic of Vanuatu grants mutual assistance to the country concerned under legislation in force from time to time in the Republic of Vanuatu including the Serious Offences (Confiscation of Proceeds) Act No. 50 of 1989 and the Mutual Assistance in Criminal Matters Act No. 52 of 1989.
- ii) Subject to any overriding obligation imposed on the bank by the laws of the Republic of Vanuatu, all correspondence is to be mailed to the address of the account holder provided to the Bank on the opening of the account, provided however that the account holder may by direction made in writing signed by the account holder, direct that the Bank retain all or any correspondence. In such event, the Bank shall consider mail retained by the Bank pursuant to such direction as duly delivered and accepted by the account holder and incurs no responsibility whatsoever in this respect.
- iii) In the event the account holder elects by notice in writing to the Bank to be in a position to provide the Bank with instructions by telegram, telex or telefax without prior nor subsequent written confirmation, the account holder hereby discharges the Bank and its staff from any responsibility for any error in transmission, wrong interpretation or duplication of instructions received by telegram, telex or telefax and the Bank shall be entitled to consider valid all messages the Bank receives under the account holder's name. Further, the Bank shall in no case be held liable for having acted upon telegram, telex or telefax instructions provided by any unauthorized party, and the account holder shall, prior to such election by the account holder being implemented, execute such documents as the Bank may require including, without limitation, a document indemnifying the Bank and its staff and agents in respect of the same.
- iv) All communications by the Bank shall be deemed to have been transmitted when sent to or held at the disposal of the account holder in accordance with its latest instructions. The date reflected on the copy of any communication or mailing record on the Bank's files shall be considered as conclusive evidence of the actual mailing date save in the case of manifest error.
- v) The Bank verifies the identity of the account holder and its respective representatives by comparing the signatures with the specimen signatures lodged with the Bank. The Bank is authorized to restrict its control to the aforementioned procedure, however, the Bank reserves the right to conduct a more thorough identity control. The account holder discharges the Bank from any damage arising from deficient authority or non-discovery of forgeries.
- vi) The Bank reserves the right to terminate its business relationship with the account holder at any time with immediate effect, particularly to cancel any advised or granted credit facilities or fund transfers in which case any outstanding shall become immediately due for repayment.

- vi) Subject always to a litigation imposed on the Bank under the laws of the Republic of Vanuatu, including such legislation as is referred to in paragraph (i) hereof, the account holder in addition hereby authorizes the Bank to release at any time and until further notice information pertaining to the status of the account holder's accounts or any transactions effected under such accounts to:

\_\_\_\_\_

In relation to such parties as are herein named, the account holder hereby expressly discharges the Bank from compliance with any secrecy provisions in any legislation in force from time to time in the Republic of Vanuatu.

- viii) In the event the Bank or any of its officers or employees suffers any loss or damage or incurs any liability (including any fine or penalty) as a direct or indirect result of the assets deposited with the Bank being proven to be or suspected of being derived from proceeds of criminal activities, the account holder does hereby indemnify and continue to hold indemnified the Bank and each of its officers and employees against such loss, damage or liability.
- ix) The account holder hereby authorizes the Bank to make any application to the Supreme Court of Vanuatu or to seek to obtain directions from the Supreme Court of Vanuatu in respect of assets deposited with the Bank should any conflict arise out of any of the matters referred to above or should there be any contravention or possible contravention of any of the provisions of the Companies Act, the Trust Companies Act, the Serious Offences (Confiscation of Proceeds) Act, the Mutual Assistance in Criminal Matters Act the International Companies Act or any other Vanuatu legislation from time to time in force, and the costs thereof shall be borne by the account holder.
- x) The above conditions are to be read in conjunction with any other conditions imposed by the Bank upon the account holder from time to time (including any conditions referred to in any statutory declaration given by the undersigned to the Bank in respect of the opening and/or operation of this account). In the event of conflict, these conditions shall prevail.

BENFORD LIMITED

Full name of Account Holder

(If authorized representative  
account holder signing)

**DIRECT LIMITED**  
DIRECTOR

By the duly authorized officer

BP

Full name of duly authorized representative of account holder

13<sup>th</sup> Flr. International Building, Kumul Highway  
Address of person signing this document Port Vila

C -  
Witness Signature

David L. Gibson  
Name of Witness

10 September 2015  
Place & Date

3486



## European Bank Limited

International Building,  
P O Box 65,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone: (678) 27700  
Fax : (678) 22884  
Telex : (771) 55023 EURTRUST NH  
Email : info@europeanbank.net

ACCOUNT HOLDER: BENFORD LIMITED

ACCOUNT NO: 8901-1161

ADDRESS: PO BOX 213, PORT VILA

### STATUTORY DECLARATION OF ACCOUNT HOLDER IN RELATION TO THE OPERATION OF THE ACCOUNT

I/We, Sue Phelps authorised signatory of Benford Limited, do hereby solemnly and sincerely declare as follows:

*(Delete whichever does not apply)*

1. The following person(s) is/are the beneficial owner(s) of the assets to be deposited with the Bank for the credit of the above account holder.

Name	Extent of Interest	Address
Benford Limited	100%	P.O. Box 213, Port Vila

2. The deposits to be credited to the abovementioned account holder are not derived from, nor proceeds of, any forms of unlawful activity whatsoever nor were these assets (including the funds to be deposited) obtained in any manner contrary to the laws of the country whence they came or any other relevant country.
3. I/We have been made aware of legislation in Vanuatu including but not limited to the Serious Offences (Confiscation of Proceeds) Act No. 50 of 1989 and the Mutual Assistance in Criminal Matters Act No. 52 of 1989 which I/we understand is designed to prevent amongst other things the laundering of proceeds of criminal activities. If I am/we are not the beneficial owners of the account I/we have provided to the beneficial owners a copy of the terms of this statutory declaration and the accompanying documents relating to the above bank account and have specifically made the beneficial owners aware of legislation in Vanuatu including but not limited to the Serious Offences (Confiscation of Proceeds) Act No. 50 of 1989 and the Mutual Assistance in Criminal Matters Act No. 52 of 1989.
4. If European Bank Limited should receive advice from any statutory or Government agency or body that any deposits for the credit of the above account holder have been proven to be or are suspected of being proceeds of criminal activities, and receive evidence of such proof or suspicion, then I/we authorise the Bank to release all information concerning the deposit of funds together with all such other information it has (or has access to) concerning the account holder, the beneficial owner or any person whom the Bank believes to be entitled to the funds on deposit in the account, to the proper authorities.
5. I/We undertake to inform the Bank immediately of any changes.

And I/We make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1835 (U.K.).

Declared at  
this 25<sup>th</sup> day of February 1999

Before Me: James H. Carter  
Commissioner for Oaths/Justice of the Peace

3487



## European Bank Limited

International Building,  
P.O. Box 65,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone: (678) 27700  
Fax: (678) 22884  
Telex: (771) 55023 EURTRUST NH  
Email: info@europeanbank.net

### Declaration of the Beneficial Owner's Identity

The undersigned hereby declare  
(mark with a cross where appropriate)

- ☒ that the contracting party is the beneficial owner of the assets deposited with the bank
- ☐ that the beneficial owner of the assets deposited with the bank is

Full name (or firm):

Address/Domicile. Country:

BENFORD LIMITED

PO Box 213, PORT VILA  
VANUATU

The contracting partner undertakes to inform the bank immediately of any changes.

**DIRECT LIMITED**  
DIRECTOR

VNa, 25 Feb. 1999

[Signature] By its duly authorised officer

Place and date

Signature(s)

N° du compte / dépôt:

Cocontractant(s):

### Identification de l'ayant droit économique

Le/la soussigné(e) déclare:  
(indiquer par une croix ce qui convient)

- ☐ que le cocontractant est l'ayant droit économique des valeurs confiées à la banque
- ☐ que l'ayant droit économique des valeurs confiées à la banque est:

Nom, prénom / raison sociale

Adresse / Siège, Etat:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Le cocontractant s'engage à communiquer spontanément les modifications à la banque.

Lieu et date

Signature

Account N°:

Contracting Party

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

FROM GEORGE VASARIS

0.25.1999 10100

P. 13



**EUROPEAN BANK LIMITED**  
International Banking,  
P O Box 65,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone: (678) 27700  
Fax : (678) 22884  
Telex : (771) 55023 EURTRUST NH  
Email : info@europesbank.net

## Declaration of the Beneficial Owner's Identity

The undersigned hereby declare  
(mark with a cross where appropriate)

- ☐ that the contracting party is the beneficial owner of the assets deposited with the bank  
☒ that the beneficial owner of the assets deposited with the bank is

Full name (or firm):

Address/Domicile, Country:

Ms Vanessa PA Clyde

8 Port Street Hews  
LONDON SW1X 0AF  
U.K.

The contracting partner undertakes to inform the bank immediately of any changes.

Vila, 25 Feb. 1999

Place and date

DIRAOT LIMITED

DIRECTOR

Signature(s)

By the duly authorized officer

N° du compte / dépôt:

Cocontractant(s):

## Identification de l'ayant droit économique

Le/la soussigné(e) déclare:  
(indiquer par une croix ce qui convient)

- ☐ que le cocontractant est l'ayant droit économique des valeurs confiées à la banque  
☐ que l'ayant droit économique des valeurs confiées à la banque est:

Nom, prénom / raison sociale

Adresse / Siège, Etat:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Le cocontractant s'engage à communiquer spontanément les modifications à la banque.

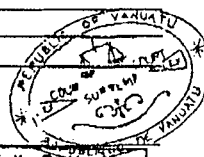
Lieu et date

Account N°:

Signature

Contracting Party

Mariella D. Katin



This is the annexure marked "C"  
referred to in the affidavit of  
M. Bayu sworn before  
me this 28 day of 07 1999

ECLATYKREUDV...AFR...-P...pdf



REPORT DATE 01/01/99 ACCOUNT 3612-1226 RULE OFF FROM 02/01/99 TO 02/28/99 RUN DATE 02/21/99 TIME 03:22  
STATEMENT PAGE 20

ACCOUNT NAME - EUROPEAN BANK, LTD.

REFERENCE #/ BATCH TRACK TRANSACTION DESCRIPTION

02/17/99 29904803551 SAME DAY CR TRANSFER

65001990262 OUR REF NUM: P

DETAILS: C

YOUR REF: P

OTHER REF: P

BENEFICIARY: P

ORDER PARTY: M

DEBIT PARTY: X

BENEF S BANK: 3

02/17/99 39904803552 SAME DAY CR TRANSFER

65000000262 OUR REF NUM: LA

DETAILS: B

OTHER REF: C

BENEFICIARY: C

ORDER PARTY: C

CREDIT PARTY: A

ORDER BANK: E

02/17/99 39904803550 ACH DEBIT

531119076865

C

S

J

I

02/14/99 29904803558 SAME DAY CR TRANSFER

65000000262 OUR REF NUM: G0090491034201

DETAILS: 104201-0108 WITH THE MESSAGE " REF :

BENFORD

ORDER PARTY: EURO BANK CORPORATION GRAND CAYMAN

DEBIT PARTY: 36011174 EURO BANK CORPORATION

DEBITS

1,000.00

127,973.10

326,932.10

141.00

100,000.00

426,932.10

330,973.10

LEADER BALANCE

4,715.79

CREDITS

100,000.00

426,932.10

330,973.10

LEADER BALANCE

4,715.79

CREDITS

100,000.00

426,932.10

330,973.10

LEADER BALANCE

4,715.79

CREDITS

100,000.00

426,932.10

330,973.10

LEADER BALANCE

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CREDITS

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426,932.10

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LEADER BALANCE

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CREDITS

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LEADER BALANCE

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LEADER BALANCE

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LEADER BALANCE

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CREDITS

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LEADER BALANCE

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CREDITS

100,000.00

426,932.10

330,973.10

LEADER BALANCE

4,715.79

CREDITS

100,000.00

426,932.10

330,973.10

STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

CG 000099

3490

Redacted Information  
in Subcommittee Files



INTERNATIONAL BUILDING  
KUMUL HIGHWAY  
PORT VILA, VANUATU  
SOUTH PACIFIC

v Benford x 9c

INTERNAL TRANSFER APPLICATION SUB REF 847-99/69

(in figures): US\$97,900.00

Please make the following transfer in your books:

STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

DEBIT

Applicant: EUT TRUST A/C (BNF)  
Account No: [REDACTED]

REASON FOR TRANSFER: Invoice to CHB  
ADDITIONAL MESSAGE:

CREDIT

Beneficiary: 202 = Benford Ltd  
Account No: 8191011 1101 202 000 100 000

Amount (in letters) US Dollars Ninety-Seven Thousand Nine Hundred

Authorized  
Signatures:

Date: 28/2/99

This form is applicable only for transfers in the  
books of European Bank, Vanuatu

FOR BANK USE ONLY

Confirmation of the details of the above transfer:

Signature of Applicant: [Signature]

Total Payment by Applicant: US\$97,900.00 Value date of payment: 28/2/99

Comments: [REDACTED]

Checked and signed: [Signature]

Date: 28/2/99

Signature of Bank Officer:

MARILYN MELANIS

CG 006469



INTERNATIONAL BUILDING  
KUMUL HIGHWAY  
PORT VILA, VANUATU  
SOUTH PACIFIC

# INTERNAL TRANSFER APPLICATION EUB REF 81T-99/62

(in figures): US\$2,100.00

Please make the following transfer in your books:

STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

## DEBIT

Applicant:	EUT TRUST A/C (GNF)
Account No:	[REDACTED]

REASON FOR TRANSFER: Pay fees  
ADDITIONAL MESSAGE:

## CREDIT

Beneficiary:	EUT GENERAL A/C
Account No:	81910111101131011011015

Amount (in figures): US Dollars Two Thousand One Hundred Only

Authorised  
Signatures:

[Signature] Date: 24/2/99

This form is applicable only for transfers in the  
books of European Bank, Vanuatu

## FOR BANK USE ONLY

Confirmation of the details of the above transfer:

Signature of Applicant:

Total Payment by Applicant: US\$2,100.00 Date of payment: 24-2-99

Comments: Transfer from EUT TRUST A/C to EUT GENERAL A/C

Checked and signed: [Signature] Date: 23-2-99

Authorised by:

Authorised by: [Signature]

CG 006470



# European Trust Company Limited

International Building,  
P.O. Box 213,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone : (678) 24680  
Fax : (678) 22884  
Telex : (771) 1023 EURTRUST NH  
Compuserve 76304, 3717

STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

STATEMENT AS AT 28-Feb-99  
X FOR BENFORD LIMITED X 9c

First statement.

REF. BNF-2

	DR	CR	BALANC
			UNITED STATES DOL
BALANCE BROUGHT FORWARD			0.0
Accounting and Management	54.50		54.5
Annual Company Representation Fee	750.00		1,004.5
Due as at 13/02/2000			
Payment Bond	150.00		1,334.5
Documentation	500.00		1,834.5
Fax, Telephone, Telex	5.75		1,853.0
Government Annual Registration Fees	150.00		2,005.0
Due as at 07/02/1999			
Government Incorporation Fee	150.00		2,155.0
Payments 25/02/1999		2,100.00	55.0
BALANCE PAYABLE			55.0

----- APPEARS ----- CURRENT  
Over 6 months 4-6 Months 1-3 months 55.00

Payment should be made in UNITED STATES DOLLARS either by  
Telegraphic Transfer to Citibank, New York: Swift Code: CITIUS33;  
or credit European Bank Ltd A/CIDINDT2111000  
or Sub-account: European Trust Company Ltd Account No: 8901-001001-0006  
with the message "Pa : BNF"  
Bank Draft payable to European Trust Company Limited, in which  
case please note that a CN collection fee (min. 1855.00) will be deducted  
by the bank.  
MR VANESSA P. A. OLYDE  
8 POINT STREET NEW  
LONDON E14 6AF  
ENGLAND

CG 006476

MARILYN KALANGIS  
Commissions on OATHS VANUATU  
S.C. FILE  
10/2/99

3-15-99.

Dear Joan.

Please transfer by wire  
the balance, minus  
\$160,000.00 (one hundred sixty  
thousand dollars), to Benford  
in VT.

Also - Please transfer  
\$10,000.00 (ten thousand dollars)  
to the account of M.D.

Thank you  
Ed. Bank

Marie Buge

3494

2/16/1996 20:58 31045732764

PAGE 81

Dena I,

Please see this attached note  
to: V.

Thanks,

S. back

REPORT DATE 04/01/99 ACCOUNT 1617-1226 RULE DIV FROM 03/01/99 TO 03/31/99 RUN DATE 04/01/99 TIME 04:10  
PAGE 20

ACCOUNT NAME - EUROPEAN BANK, LTD. STATEMENT

DATE	REFERENCE #/DATE	TRANSACTION DESCRIPTION	DEBITS	CREDITS	LENDER BALANCE
03/16/99	29507503721 SA 65000018262 C			935.00	166,677.83

Redacted Information  
in Subcommittee Files

03/16/99	35807503720 A/ 53891836565 A/ O S I		129.00		166,548.83
03/16/99	35807503722 I 000001300844		29.95		166,518.88

2,800,000.00 2,966,518.88

03/17/99 29507603731 SAME DIV CU TRANSFER  
65000162262 COM REP MM: C0380763174001  
DETAILS: /ACC/FEC TO SUB ACCOUNT BENFORD A/C /  
/W 8961 104201 0106  
YOUR REF: 11000  
OTHER REF: 11000  
CREDIT PARTY: EURO BANK CORP.  
DEBIT PARTY: 0001 BANK OF NEW YORK

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CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

CG 000103

3496

CLAIMS -- Transaction Display GINFOD KMALGI 30-MAR-00 19:25:42  
FTNTRN 1 DDA 0  
\* links exist \* query type GID txn number 1 category A

GID: C0090762174001 Adj :  
Val dt : 17-MAR-99 Db amt : 2,800,000.00/USD Status : FINAL  
Ins dt : 17-MAR-99 Cr amt : 2,800,000.00/USD Prc typ : CLEAN  
Rem ref: FTJ9903173758300 Rel ref: 32000 TXN typ : STD  
In src : CHIPS MOP : BOOK  
In ref : SSN 0205854 Out ref:  
DBT: C 0001 CDT: D 36121226  
BANK OF NEW YORK EUROPEAN BANK LTD  
INTERNATIONAL BUILDING  
KUMUL HIGHWAY  
PORT VILA VANUATU

RMOP:NOTSP RMOA:NOTSP  
ORG: N  
EURO BANK CORP

MOA:LTR  
N BNF:

MOA:

Orig to bnf :

Bank to bank:/ACC/FFC TO SUB ACCOUNT BENFORD A\C  
//# 8901 104201 010 6

DR:CC001  
No Db auth :N  
Verify ID :  
Bene charge :NONE  
OGB:X 8033265086  
BANK OF BUTTERFIELD INTERNATIONAL  
(CAYMAN) LIMITED  
P.O. BOX 705  
GEORGETOWN, CAYMAN ISLANDS

CR:D36121226  
Repair ID :  
Bene amt :0.00/USD  
PAY:

INS:

MOA:  
INT: STRICTLY CONFIDENTIAL-NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

MOA:

-----  
inquiry note:

CG 000675



3497



International Building,  
P O Box 213,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone: (678) 24680  
Fax : (678) 22884  
Telex : (771) 1023 EURTRUSTNG  
Compuserve 76304,3717  
E-Mail : security@vanuatu.com.vu

## Facsimile Message

TO : Ms Vanessa Clyde c/o Mr. Ivan R. W. Burges

FAX NO : 1-345-949-6232

COMPANY: Euro Bank Corporation

REF/DATE : EUT/19/03/99

FROM : Sue Phelps

PAGE NO : 1 of 2

Dear Mr. Burges,

Re : Benford X 96

STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

I attach a Confirmation from European Bank of the receipt of USD 2,800,000.00. In the absence of instructions, I took the decision to place this for one month. Please let me know if this is correct and provide me with instructions as to what term to place it for upon maturity.

Kind Regards,

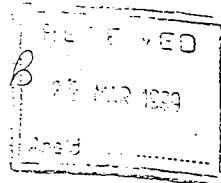
Sue Phelps  
Executive Vice President



3498



EURO BANK CORPORATION



19th March, 1999

STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

Fax To: Sue Phelps  
European Trust Company Limited  
Vanuatu

Fax No: 011-678-22864

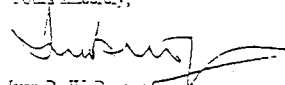
Re: < Benford Limited > C.F. 199

I am faxing you a copy of instructions regarding 2 wires. Please process ASAP.

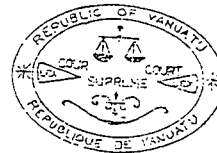
Regarding your fax of 13th March I believe it would be best to keep all funds on 7 day  
C.D.'s. Do you offer savings/call accounts?

Many thanks.

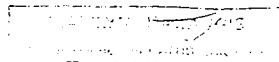
Yours sincerely,

  
Ivan R. W. Burgess  
Senior Assistant Manager

2 pages.



EURO BANK CORPORATION • P.O. Box 100 • Honiara • Tel: 678 22864 • Fax: 678 22864 • Telex: 4000 EURO • E-mail: euro@euro.vu • Website: www.euro.vu • Office: 1st Floor, Honiara Square Bldg., Honiara Town, Honiara Island, Vanuatu



CG 006471

3499

02/16/1996 28:58 31045732764

PAGE 82

3-19-99

Dear Ms Sue Phelps:

Please wire from Benford \$100,000.00 (one hundred thousand) to:

WIRE TO: Barclays Bank PLC New York for further Credit to Barclays Bank PLC Main Branch  
Bay Street, Nassau, Bahamas for the account of L. Marvin B. Pinder Clients' Account, Account  
Number 20-1829364.

Barclays Bank PLC Bay Street, Nassau, Bahamas: telephone number is (242) 356-8000; Fax  
(242) 328-7979.

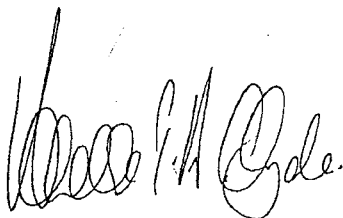
Please wire \$14,000.00 (fourteen Thousand) to:

J. D. Mitchell, Acct # 021292/002, Sorte code 23-35-36, Barkleys Finance Co.  
Guernsey Ltd., P O Box 269, Cambria House, New Street, St. Peters Port,  
Guernsey, Channel Islands.

Please correct the mailing address to 8 PONT Street Mews (not Point).

Please leave the balance of the monies in revolving 30 day CDs.

Thank you,

A handwritten signature in dark ink, appearing to read "L. Marvin B. Pinder". The signature is fluid and cursive, with the first name being the most prominent.

3500

190V

## EUROPEAN BANK LIMITED

INTERNATIONAL BUILDING  
KUMUL HIGHWAY  
PORT VILA, VANUATU  
- SOUTH PACIFIC -

OUR 99:00307.  
REF:

DEMANDE DE  
APPLICATION FOR

CHEQUE DE BANQUE  
BANK DRAFT

TRANSFERT TELEGRAPHIQUE  
TELEGRAPHIC TRANSFER

DEVISE LIMITED STATES DOLLARS		MONTANT EN CHIFFRES USD \$100,000.00	
CURRENCY		AMOUNT IN NUMBERS	
DEVISE/CURRENCY		MONTANT EN LETTRES/AMOUNT IN WORDS	
UNITED STATES DOLLARS ONE HUNDRED THOUSAND			
BENEFICIAIRE BENEFICIARY	NOM NAME	L. MARVIN B. PINDER CLIENT'S ACCOUNT	
	ADRESSE ADDRESS		
	N° DE COMPTE ACCOUNT No.	20-1829364 → BARCLAYS BANK PLC NEW YORK BY A/C CREDIT A/C	
	Chez (nom de la banque et adresse) With (Bank name and address) Sort Code / Swift No	BARCLAYS BANK PLC MAIN BRANCH 8 AV STREET, NASSAU, BAHAMAS, 2000	
	Reason for Transfer		
Additional Message			
Inter Bank Message			
By order of: BNF		Value Date: 26.03.99	

☒ Veuillez débiter mon/mon compte  
N° .....  
Please debit my/our account No.

☐ Règlement par caisse  
/We pay by cash

NOM DU TITULAIRE DU COMPTE  
ACCOUNT HOLDER'S NAME

AUTHORISED SIGNATURE(S)

All charges, including  
Correspondent Banks for  
account of Remitter



All charges, including Correspondent  
Banks for account of Beneficiary



Correspondent Bank charges only  
For Account of Beneficiary



No charge



Remitting Bank charges only  
For Account of Remitter



## FOR BANK USE ONLY

Confirmation of the details of the above payment(s):

Inter Account Transfer within Group: N/A

Signature of Applicant verified: OKAY ✓ Authority held: N/A Position of A/C verified: OKAY ✓

Comments (including): T/T USD 100,000.00 FOSTER COOT/T FEE

Checked and signed: Sue Phelps Date: 24/3/99

INCORPORATED IN VANUATU

Sue Phelps sworn before

11.24.1999 6661.92.11

FROM GEORGE URSERIS

3501

STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

INTERNATIONAL BUILDING  
KUMUL HIGHWAY  
PORT VILA, VANUATU  
- SOUTH PACIFIC -

OUR  
REF: 99-00306.

DEMANDE DE  
APPLICATION FOR

CHEQUE DE BANQUE  
BANK DRAFT

TRANSFERT TELEGRAPHIQUE  
TELEGRAPHIC TRANSFER

✓

DEVISE: UNITED STATES DOLLARS		MONTANT EN CHIFFRES: USD \$ 14,000.00	
CURRENCY		AMOUNT IN NUMBERS	
DEVISE/CURRENCY		MONTANT EN LETTRES: AMOUNT IN WORDS	
UNITED STATES DOLLARS		FOURTEEN THOUSAND	
BENEFICIAIRE BENEFICIARY	NO. NAME	J. D. MITCHELL	
	ADRESSE ADDRESS		
	N° DE COMPTE ACCOUNT No.	021292/002 SORT CODE 23-35-36	
	Chac. nom de la banque et adresse) With Bank name and address) Sort Code / Swift No	BARKLEY'S FINANCE CO. GUERNSEY LTD. <del>GUERNSEY</del> , P.O. BOX 269, CAMBRIDGE HOUSE, NEW STREET, ST. PETERS PORT, GUERNSEY, CHANNEL ISLANDS	
Reason for Transfer			
Additional Message			
Inter Bank Message			

By order of: SNF

Value Date: 26.03.99

☒ Veuillez créditer mon compte  
N° .....  
Please credit my/our account No.

91910111161102016016

☐ Règlement par caisse  
If We pay by cash

NOM DU TITULAIRE DU COMPTE  
ACCOUNT HOLDER'S NAME

AUTHORISED SIGNATURE(S)

*[Signature]*

All charges, including  
Correspondent Bank's for  
account of Remitter

☒

All charges, including Correspondent  
Banks for account of Beneficiary

☐

Correspondent Bank charges only  
For Account of Beneficiary

☐

No charge

☐

Remitting Bank charges only  
For Account of Remitter

☐

FOR BANK USE ONLY

Confirmation of the details of the above payment(s):

Inter Account Transfer within Group: ☒

Signature of Applicant (verified): *[Signature]* Authority held: *[Signature]* Reason for A/C verified: *[Signature]*

Comments: *[Signature]*

Checked and signed: *[Signature]* Date: 24/3/99

Signature of Authorised Signatory: *[Signature]*

Signature of Authorised Signatory: *[Signature]*

Signature of Authorised Signatory: *[Signature]*

Signature of Authorised Signatory: *[Signature]*

Signature of Authorised Signatory: *[Signature]*

Signature of Authorised Signatory: *[Signature]*

Signature of Authorised Signatory: *[Signature]*

CG 006473

3502



Telephone: (Country Code 678) 25410  
Facsimile: (Country Code 678) 25405  
Email: Security@Vanuatu.com.vu  
- Vanuatu, Southwest Pacific

STRICTLY CONFIDENTIAL - NOT FOR  
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SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

## Facsimile Message

TO: David Sharp / Candy Whicker

FAX NO: 870 345 949 7657

COMPANY: Barclays Private Bank & Trust, Cayman Isl. REF/DATE: PIT/29.3.99

FROM: Douglas Peters

PAGE NO: 1 OF 1

Dear David and Candy,


This fax will come to you as a surprise, some three years since I left Barclays in Monaco. But there I am, still in Vanuatu. What about you in Cayman? I hope that you are both well.

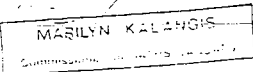
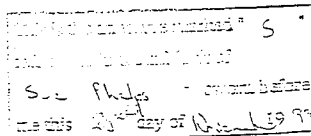
The reason I contact you is to see if you could help me. Our Group has been approached by a Caymanian company called "Euro Bank Corporation", Anderson Square Bld. George Town. We do not know anything about that company, its activities, its reputation, how long it has been operational etc.

As part of our due diligence exercise, some background information would be very useful. Without going out of your way, could I impose on you and ask you to see what general information one could collect?

I thank you in advance for your assistance with this inquiry, and look forward to hearing from you.

Kind regards

  
Douglas P.M. Peters  
Executive Vice President



RE: FOSTER Group (FSL)

RE: FOSTER Group (FSL)



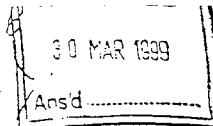
IF YOU DO NOT RECEIVE ALL THE PAGES PLEASE CONTACT US IMMEDIATELY  
PACIFIC INTERNATIONAL TRUST COMPANY LIMITED

CG 006477

3503



BARCLAYS PRIVATE BANKING



To: Douglas Peters  
Fax: 011 678 25405

From: Candy Whicker  
Tel: 1 345 914 5415  
Fax: 1 345 945 2732

Date: March 29, 1999

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CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

Pages:

Dear Doug,

How lovely to hear from you after all this time.

I would be happy to give you some information on this company but would rather do so verbally. Can you give me a call when you get in? You must be ahead of me time wise, but I'm not sure by how many hours. Try my direct line 345 914 5415 and leave a message if I don't answer letting me know what time it is with you then I can call you back.

Incidentally, David left us to return to Jersey and join Standard and Chartered (I think), though I believe he now works for Bankers Trust in Jersey (who are now Deutsche Bank). No doubt Barclays won't be Barclays by the end of the year....!

I look forward to hearing from you.

Very best wishes,

Candy Whicker  
Investment and Marketing Manager



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See Phelps  
Date 3/30/99

CONFIDENTIALITY

The information contained in this document is confidential. It is intended only for the use of the named recipient. If you are not the named recipient, please notify the sender immediately. Do not disseminate this information to any other person or entity.

Barclays Private Bank & Trust Company Limited  
100 Nassau Street, New York, NY 10038  
Telephone: (212) 600-1000 Fax: (212) 600-1001

MARILYN KALANGIS

Communications Manager

CG 006478

3504

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SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

TEL Call:

Euro Bank Corporation  
Grand Cayman

30/3/99

Candy Whicker, my contact at Barclays  
Grand Cayman States:

"Small locally incorporated Bank, with a  
local Banker Licence, 2/30 people on the  
staff, Corporate activities too, not a good  
Reputation locally, has its door open to  
business when other doors are closed to it,  
Very much lower eye of the local Banking  
business, Dubious, 3 months ago there  
were rumours that they might fail, not  
well regarded, advice caution when dealing  
with them Barclays would not accept a  
Reference from them, I would certainly not  
do business with them"

Unquote

(But she warned for the time being  
in Cayman - -) Care/Cautious  
on the words

End

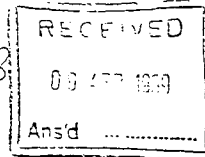
CG 006479

MARILYN KALANGIS  
Commissioner, IN 02123, 02124, 02125

See Philip's 02123, 02124, 02125



3505



3-31-99

To: Sue Phelps

STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

Dear Sue'

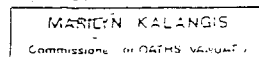
92  
As funds arrive to Benford, please place them in 30 day  
U.S. Treasury notes and roll them until further notice..

Thank you,

Vanessa Clyde

*Vanessa M. Clyde*

CG 006480



3506

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CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

Ref: IT99/187

CREDIT ADVICE

Date: 09/04/99

EUROPEAN BANK LIMITED

Port Vila, Vanuatu

Dear Customer,

The amount shown below has today been credited to your account number 8901-116102-0606 being  
inward payment B/O Euro Bank Corp re: Benford *C/C*

To: Benford Limited

Amount: USD 3,880,000.00

Yours faithfully,



Please keep this advice for reconciliation with your statement.

CG 006482

MARILYN KALANONS  
S - P. J. ...  
...  
...

REPORT DATE 05/03/99 ACCOUNT 3612-1226 RULE OFF FROM 04/01/99 TO 04/10/99 RUN DATE 05/03/99 TIME 04:08  
ACCOUNT NAME - EUROPEAN BANK, LTD. STATEMENT PAGE 10

REFERENCE # /  
DATE BATCH TRACK TRANSACTION DESCRIPTION DEBITS CREDITS LEADER BALANCE

04/08/99 3990803892 IMMEDIATE FUNDS DR 29.95 600,599.67  
000000810844 OUR REF NUM: C  
DETAILS: C  
1  
X  
C

04/08/99 3990803893 IMMEDIATE FUNDS 29.95 600,569.72  
000000810844 OUR REF NUM: C  
DETAILS: C  
1  
X  
C

Redacted Information  
in Subcommittee Files

04/09/99 25809903901 SAME DAY CR TRANSFER 3,890,000.00 4,480,169.72  
650000000262 OUR REF NUM: 03090903901  
DETAILS: REFERENCE : FOR SUB ACCOUNT NBR 8901-  
104201-0106 WITH THE MESSAGE : " REF  
ORDER PARTY: 36071114 EURO BANK CORPORATION GRAND  
CAYMAN, BM  
DEBIT PARTY: 36071114 EURO BANK CORPORATION

04/09/99 29909903901 SAME DAY CR TRANSFER 750,000.00 5,230,169.72  
650000000262 OUR REF NUM: 03090903901  
DETAILS: REFERENCE : FOR SUB ACCOUNT NBR 8901-  
104201-0106 WITH THE MESSAGE : " REF  
ORDER PARTY: EURO BANK CORPORATION GRAND CAYMAN  
DEBIT PARTY: 36071114 EURO BANK CORPORATION

04/09/99 39909903897 SAME DAY DR TRANSFER 333,641.68 4,897,328.04  
650000000262 OUR REF NUM: 1  
DETAILS: 1  
OTHER REF: 1  
BENEFICIARY: 1  
ORDER PARTY: 1  
CREDIT PARTY: 1  
ORDER BANK: 1

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SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

3508

Ref: IT99/186

EUROPEAN BANK LIMITED

Port Vila, Vanuatu

Dear Customer,

The amount shown below has today been credited to your account number 8901-116102-0606 being  
inward payment B/O Euro Bank Corp re: Benford *CL*

To: Benford Limited

CREDIT ADVICE

Date: 09/04/99

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SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

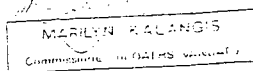
Amount: USD 750,000.00

Yours faithfully,

*Please keep this advice for reconciliation with your statement.*



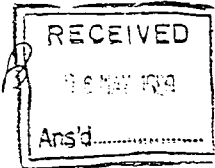
CG 006481



*See File for documents  
re: 4. 2000-2001*

3509

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SUBCOMMITTEE MEMBERS AND STAFF  
ONLY



May 4, 1999

To: Sue Phelps FAX Message  
European Trust Company, Ltd.

From: Vanessa Clyde

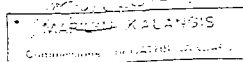
Please transfer \$18,000.00 from BNF # 25193 to J.D.  
Mitchell, Acct# 021292/002. Sorta code 21-25-26, Barkleys  
Finance Co., Guernsey, Ltd. P O Box 269, Cambria House, New  
Street, St Peters Port, Guernsey, Channel Islands.

Thank you.

A large, stylized handwritten signature in dark ink, appearing to read "Vanessa Clyde".



CG 006490

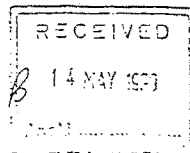


See Page 1 of 1  
May 16, 1999

3510



BARCLAYS PRIVATE BANKING



To: Doug Peters  
Fax: 011 678 25405

From: Candy Whicker  
Tel: 1 345 914 5403  
Fax: 1 345 945 2732

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CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

Date: May 12, 1999

Pages: 1

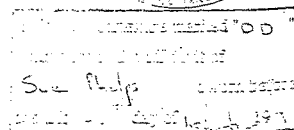
Dear Doug,

Just a little note to advise you that Euro Bank Corporation went into liquidation yesterday.

Hope all is well with you.

Best wishes,

Candy Whicker  
Investment and Marketing Manager



**CONFIDENTIAL**

The information contained in this fax is confidential, and is intended only for the use of the named recipient. If you are not the named recipient, please notify the sender immediately. You should not disclose the contents to any other person or make copies.

Barclays Private Bank in Trust, Cayman Islands  
PO Box 457, 4th Floor Barclays House, Grand Cayman, Cayman Islands, KY1-1101  
Telephone (345) 949 7128 Fax (345) 949 7657

MARLYN KALANGIS  
Commissioner of Oaths & Notary

CG 006492

3511

*x Ben Sid x Gc* 'A'

Diary Note

STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

May 25<sup>th</sup> 1999 at approximately 7.15am.

I answered the telephone as there was no receptionist on duty at that time. It was on Line 7, EUT's line. A very well-spoken English lady asked to speak to Sue Phelps. I said that it was Sue speaking. She said her name was Vanessa something Clyde (I missed the middle name, but thought it was something like Mitchel). I immediately became alert as this was not the same voice I have known as Vanessa Clyde.

She said she had expected to have some reporting on her account with us. She had received nothing since 24<sup>th</sup> February when she received a letter from me at her London address. She pointed out that there was an error in the address (Point instead of Pont) and wondered if mail had gone astray. I said I could not tell her what, if anything, we had sent without reference to the files. She said she could hold the line until I looked at the files. I said that was not a good idea as it was early morning and areas were still locked up, so it would take some time. I asked her if she had a fax number. She said she does not have a fax. She said she would be leaving soon for California. She does not have a fax there either. She gave me the phone number in London, where she has an answer phone, but does not want messages left there as they will disturb her son who is staying there.

The telephone number in London is 0171-589-9221

She has a Post Office box in the States, but did not give me the address. She also has an answer-phone in the States, but she did not give me the number.

I asked her to set out all the contact details and send it to me from a public fax service. Once I received that fax, I would respond.

1:\CLIENT\B\BnpC\0012rapd.doc

This is the annexure marked 'A'  
referred to in the affidavit of  
**S Phelps** sworn before  
me this **29** day of **10/1999**



CG 006434

3512

SECRETLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

'8'

For No: 011 678 22884

SUE PHELPS

From: V.P.A. CLYDE

CG 006435

This is the annexure marked "B"  
referred to in the affidavit of  
**S. Phelps** sworn before  
me this **29** day of **10** 19**99**

Your Ref: 0003 SUP. info/E

Tuesday 25<sup>th</sup> Aug 1999



Just to inform one telephone conversation of  
yesterday's date (my time!!) + so you can collect  
your records:

My address is: 8 Pont Street Mens, LONDON SW1X 0AR  
ENGLAND  
Tel: 0171 589-9221

respectably I am in the USA (Living fairly here).  
but upon reflection, it is better for how that all  
communication be via my English address etc.  
As we discussed. I don't appear to have received  
any correspondence since yours dated the 24<sup>th</sup> February '99  
I would therefore be grateful if you could send any  
subsequent correspondence (copies thereof) that may have been  
sent at between that time + this, to my ~~last~~ <sup>new</sup> address  
ASAP. I have a pleasure to talk to you. Look forward to hearing  
from you. Yours, **Walter J. Clyde**

PAGE 81

250-456-5185 FAX 250-456-5185

250-456-5185

250-456-5185 FAX 250-456-5185



3513



## European Trust Company Limited

International Building,  
P O Box 213,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone: (678) 24680  
Fax : (678) 22884  
Telex : (771) 1023 EURTRUSTNH  
Compuserve 76304,3717  
E-Mail : security@vanuatu.com.vu

### Facsimile Message

STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

Fax to : 1-310-456-5109

If possible, please forward the following to Vanessa P A Clyde in London, from whom we have just received a fax via your offices.

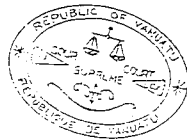
Dear Vanessa

Thank you for your fax. There was an error in your address, which has now been corrected. We are checking on the records of the company and ask that you summarise any instructions you have given for the deployment of funds in order that we may verify that nothing has been missed due to communication problems.

Yours sincerely

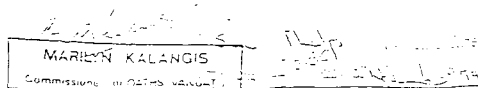
Sue Phelps

INVEST & BANC 001/12/2000



CG 006496

IF YOU DO NOT RECEIVE ALL THE PAGES PLEASE CONTACT US IMMEDIATELY



TRANSMITTED BY FAX  
ON 12/12/2000 15:44

3514

From: "Email" <email@vanua-tu.com>  
To: <sup@vanua-tu.com>  
Date: Wed, May 26, 1999 8:13 PM  
Subject: Re: Investigation

NOT FOR  
Circulation  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

Sue Phelps wrote:

>  
> Dear Karen  
>  
> I have a rather strange problem with a client account and wonder if you can give me some assistance.  
I have received telephone calls from two completely different persons, each claiming to be Vanessa  
Clyde of 8 Pont Street Mews, London SW1X 0AF.  
>  
> I wonder if firstly, you can check in the phone book to see if there is a phone number for this person at  
this address. If so, then perhaps you can telephone her on some pretext (market survey?) and just talk  
to her. I need to know if she speaks with a well-bred English accent or an American husky voice.  
>  
> If you have a problem with this, I'll need Inspector Morse, or perhaps Hercule Poirot to thicken the  
plot!!  
>  
> Best regards  
>  
> Sue

Dear Sue

Karen is out of the office today, so I have tried to get a telephone  
number for your problem client.

Unfortunately, the number is ex-directory so there is no way of getting  
hold of it.

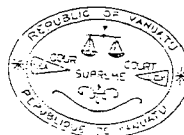
Is there any way you can obtain a number for her, perhaps on the basis  
that you must have an emergency contact number?

Otherwise, I cannot think of any way in which I can get a number for  
her.

Perhaps Morse may be the best bet!!

Regards

JAMES MENZIES



CG 006497

MARILYN KALANGIS  
Commissioner of the Environment

S - PNP  
1999 05 26 13:30

International Building  
P O Box 213.  
Port Vila, Vanuatu  
Southwest Pacific

Telephone: (678) 24680  
Fax: (678) 22884  
Telex: (771) 1023 EURTRUST NH  
Compuserve 76304,3717  
E-Mail: security@vanuatu.com.vu

TO : Ms Vanessa Clyde c/o Mr. Ivan R. W. Burges

FAX NO : 1-345-949-6232

COMPANY: Euro Bank Corporation

REF/DATE : EUT/26 05 99

FROM : Sue Phelps

PAGE NO : 1 of 1

Dear Mr. Burges,

Re : Benford Limited

On a review of the documentation for the above company, we note that certain procedures have not been completed as we have not received original signatures. We therefore ask that you airmail the following to us as soon as possible:

The original of the Company Incorporation Form.

The original of our Indemnity Form.

Kind Regards,

Case 11

Sue Phelps  
Executive Vice President

© CLIENTS Real Co. 2014-07-26

IF YOU DO NOT RECEIVE ALL THE PAGES PLEASE CONTACT US IMMEDIATELY

3516

— EUT —

Vanessa P. A. Clyde  
8 Pont Street Mews  
LONDON SW1X 0AF  
ENGLAND

STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

26 May, 1999

Dear Ms Clyde,

Re : Benford Limited *CL*

On a review of the documentation for the above company, we note that certain procedures have not been completed as we have not received original signatures. We therefore ask that you airmail the following to us as soon as possible :

Notarised Copy of your passport

The original of the Company Incorporation Form.

The original of our Indemnity Form.

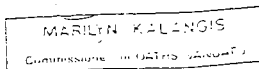
Yours faithfully,



Brigitte Stanislas  
Trust Officer



CG 006493



*See file*  
*12-13-14-15-16-17-18-19-20-21-22-23-24-25-26-27-28-29-30-31-32-33-34-35-36-37-38-39-40-41-42-43-44-45-46-47-48-49-50-51-52-53-54-55-56-57-58-59-60-61-62-63-64-65-66-67-68-69-70-71-72-73-74-75-76-77-78-79-80-81-82-83-84-85-86-87-88-89-90-91-92-93-94-95-96-97-98-99-100-101-102-103-104-105-106-107-108-109-110-111-112-113-114-115-116-117-118-119-120-121-122-123-124-125-126-127-128-129-130-131-132-133-134-135-136-137-138-139-140-141-142-143-144-145-146-147-148-149-150-151-152-153-154-155-156-157-158-159-160-161-162-163-164-165-166-167-168-169-170-171-172-173-174-175-176-177-178-179-180-181-182-183-184-185-186-187-188-189-190-191-192-193-194-195-196-197-198-199-200-201-202-203-204-205-206-207-208-209-210-211-212-213-214-215-216-217-218-219-220-221-222-223-224-225-226-227-228-229-230-231-232-233-234-235-236-237-238-239-240-241-242-243-244-245-246-247-248-249-250-251-252-253-254-255-256-257-258-259-260-261-262-263-264-265-266-267-268-269-270-271-272-273-274-275-276-277-278-279-280-281-282-283-284-285-286-287-288-289-290-291-292-293-294-295-296-297-298-299-300-301-302-303-304-305-306-307-308-309-310-311-312-313-314-315-316-317-318-319-320-321-322-323-324-325-326-327-328-329-330-331-332-333-334-335-336-337-338-339-340-341-342-343-344-345-346-347-348-349-350-351-352-353-354-355-356-357-358-359-360-361-362-363-364-365-366-367-368-369-370-371-372-373-374-375-376-377-378-379-380-381-382-383-384-385-386-387-388-389-390-391-392-393-394-395-396-397-398-399-400-401-402-403-404-405-406-407-408-409-410-411-412-413-414-415-416-417-418-419-420-421-422-423-424-425-426-427-428-429-430-431-432-433-434-435-436-437-438-439-440-441-442-443-444-445-446-447-448-449-450-451-452-453-454-455-456-457-458-459-460-461-462-463-464-465-466-467-468-469-470-471-472-473-474-475-476-477-478-479-480-481-482-483-484-485-486-487-488-489-490-491-492-493-494-495-496-497-498-499-500-501-502-503-504-505-506-507-508-509-510-511-512-513-514-515-516-517-518-519-520-521-522-523-524-525-526-527-528-529-530-531-532-533-534-535-536-537-538-539-540-541-542-543-544-545-546-547-548-549-550-551-552-553-554-555-556-557-558-559-560-561-562-563-564-565-566-567-568-569-570-571-572-573-574-575-576-577-578-579-580-581-582-583-584-585-586-587-588-589-590-591-592-593-594-595-596-597-598-599-600-601-602-603-604-605-606-607-608-609-610-611-612-613-614-615-616-617-618-619-620-621-622-623-624-625-626-627-628-629-630-631-632-633-634-635-636-637-638-639-640-641-642-643-644-645-646-647-648-649-650-651-652-653-654-655-656-657-658-659-660-661-662-663-664-665-666-667-668-669-670-671-672-673-674-675-676-677-678-679-680-681-682-683-684-685-686-687-688-689-690-691-692-693-694-695-696-697-698-699-700-701-702-703-704-705-706-707-708-709-710-711-712-713-714-715-716-717-718-719-720-721-722-723-724-725-726-727-728-729-730-731-732-733-734-735-736-737-738-739-740-741-742-743-744-745-746-747-748-749-750-751-752-753-754-755-756-757-758-759-760-761-762-763-764-765-766-767-768-769-770-771-772-773-774-775-776-777-778-779-780-781-782-783-784-785-786-787-788-789-790-791-792-793-794-795-796-797-798-799-800-801-802-803-804-805-806-807-808-809-810-811-812-813-814-815-816-817-818-819-820-821-822-823-824-825-826-827-828-829-830-831-832-833-834-835-836-837-838-839-840-841-842-843-844-845-846-847-848-849-850-851-852-853-854-855-856-857-858-859-860-861-862-863-864-865-866-867-868-869-870-871-872-873-874-875-876-877-878-879-880-881-882-883-884-885-886-887-888-889-890-891-892-893-894-895-896-897-898-899-900-901-902-903-904-905-906-907-908-909-910-911-912-913-914-915-916-917-918-919-920-921-922-923-924-925-926-927-928-929-930-931-932-933-934-935-936-937-938-939-940-941-942-943-944-945-946-947-948-949-950-951-952-953-954-955-956-957-958-959-960-961-962-963-964-965-966-967-968-969-970-971-972-973-974-975-976-977-978-979-980-981-982-983-984-985-986-987-988-989-990-991-992-993-994-995-996-997-998-999-1000-1001-1002-1003-1004-1005-1006-1007-1008-1009-1010-1011-1012-1013-1014-1015-1016-1017-1018-1019-1020-1021-1022-1023-1024-1025-1026-1027-1028-1029-1030-1031-1032-1033-1034-1035-1036-1037-1038-1039-1040-1041-1042-1043-1044-1045-1046-1047-1048-1049-1050-1051-1052-1053-1054-1055-1056-1057-1058-1059-1060-1061-1062-1063-1064-1065-1066-1067-1068-1069-1070-1071-1072-1073-1074-1075-1076-1077-1078-1079-1080-1081-1082-1083-1084-1085-1086-1087-1088-1089-1090-1091-1092-1093-1094-1095-1096-1097-1098-1099-1100-1101-1102-1103-1104-1105-1106-1107-1108-1109-1110-1111-1112-1113-1114-1115-1116-1117-1118-1119-1120-1121-1122-1123-1124-1125-1126-1127-1128-1129-1130-1131-1132-1133-1134-1135-1136-1137-1138-1139-1140-1141-1142-1143-1144-1145-1146-1147-1148-1149-1150-1151-1152-1153-1154-1155-1156-1157-1158-1159-1160-1161-1162-1163-1164-1165-1166-1167-1168-1169-1170-1171-1172-1173-1174-1175-1176-1177-1178-1179-1180-1181-1182-1183-1184-1185-1186-1187-1188-1189-1190-1191-1192-1193-1194-1195-1196-1197-1198-1199-1200-1201-1202-1203-1204-1205-1206-1207-1208-1209-1210-1211-1212-1213-1214-1215-1216-1217-1218-1219-1220-1221-1222-1223-1224-1225-1226-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3517

Vanessa P. A. Clyde  
8 Pont Street Mews  
LONDON SW1X 0AF  
ENGLAND

26 May, 1999

Dear Ms Clyde,

**Re : Benford Limited**

On a review of the documentation for the above company, we note that certain procedures have not been completed as we have not received original signatures, therefore ask that you airmail the following to us as soon as possible :

Notarised Copy of your passport

The original of the Company Incorporation Form.

The original of our Indemnity Form

Yours faithfully,



Brigitte Stanislas  
Trust Officer

3518

**MAPLES and CALDER**  
Attorneys-at-Law

27 May 1999

Attn: Ms Susan Phelps  
European Bank Limited  
C/o European Trust Company Limited  
International Building, Kumul Highway  
Port Vila, Vanuata, Southwest Pacific

By fax: 011 678 22884

Dear Madam

RE: EURO BANK CORPORATION - KENNETH TAVES

We act for Ian Wight and Michael Pilling of Deloitte & Touche ("the Controllers"), who have been appointed Controllers of Euro Bank Corporation ("Euro Bank") by Order of the Governor of the Cayman Islands.

The Controllers have ascertained that the following sums were received into the following account at your Bank:

Account No.: 8901-104201-0106  
Reference: "Benford"

from accounts at Euro Bank either in the name of companies owned or controlled by Kenneth Taves or which are believed to have received funds originating from Kenneth Taves:

Date	Euro Bank Account	Amount
18/2/99	Media Buying Services Ltd. #33174	US\$100,000
16/3/99	Buck, S Gretchen and Reid, Matthew W #33168	US\$2,800,000
8/4/99	Buck, S Gretchen and Reid, Matthew W #33168	US\$750,000
8/4/99	Chamonix Limited #33159	US\$3,880,000

PO Box 309 Uglund House South Church Street Grand Cayman Cayman Islands British West Indies  
Telephone: 345-949-8066 Telecopier: 345-949-8080 Internet: mapcal@bandwky.

MBPNDMDL27334150334403010  
27 May, 1999

Maples and Calder  
Asia

Suite 1002 One Exchange Square 8 Connaught Place Hong Kong  
Telephone: 852-2521-9333 Telecopier: 852-2537-2943

This is the signature marked "M" referred to in the affidavit of T. M. Bay sworn before me this 28 day of 07 19 99.

3519

MAPLES and CALDER

To: Attn: Ms Susan Phelps  
Re: Euro Bank Corporation - Kenneth Taves

27 May 1999  
Page 2 of 2

In or about January 1999, Euro Bank was put on notice that the Federal Trade Commission in the United States had appointed a Receiver over the business and assets of Kenneth Taves, his wife Teresa Taves and various companies associated with them. The appointment arises from allegations that Kenneth and Teresa Taves and companies associated with them are involved in a serious credit card fraud.

We hereby put you on notice that the Receiver is asserting proprietary claims over any funds originating from the alleged fraud, and he may take steps to trace and recover those funds from the ultimate recipients.

Yours faithfully

*Maples Calder*  
MAPLES and CALDER



MBPDM037334\US03344\@sds011  
27 May, 1999

3520

INTERNATIONAL BUILDING  
KUMUL HIGHWAY  
PORT VILA, VANUATU  
SOUTHWEST PACIFIC

Correspondence  
P.O. Box 213  
Port Vila, Vanuatu  
Southwest Pacific

International Direct Dialing:  
Telephone : (678) 24680  
Facsimile : (678) 22884  
E-Mail : [security@vanuatu.com.vu](mailto:security@vanuatu.com.vu)

The Manager  
European Bank Limited  
PO Box 65  
Port Vila

STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

28 May, 1999

Dear Sir

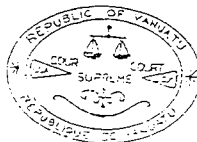
Re : Account Number 8901-1161 in the name of Benford Limited

Having been put on notice that funds transferred into our account may be the results of serious credit card fraud, we hereby state that we will give our full cooperation to assist in any investigations that the bank may instigate.

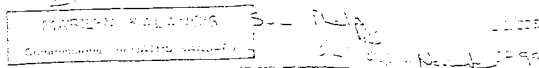
Yours faithfully



Direct Limited, Director  
by its authorised signatory



CG 006498





3521



## European Bank Limited

International Building,  
P O Box 65,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone: (678) 27700  
Fax : (678) 22884  
Telex : (771) 1023 EURTRUST NH  
Email : Security@Vanuatu.com.vu

### Facsimile Message

TO: Justin Appleyard

FAX NO: 1-343-949-8080

COMPANY: Maples and Calder

REF/DATE: BNF/31 May, 1999

FROM: Susan Phelps

PAGE NO: 1 of 1

Dear Sir

Thank you for your faxed letter dated 27<sup>th</sup> May 1999. We hereby request that you send the original of this letter by air mail.

We note the allegation contained within the communication and have taken the appropriate action to freeze the funds remaining under our control after disbursements to date.

We have also reported to our Government that we may be in receipt of funds, which are the proceeds of serious fraud, pursuant to our obligation under the Proceeds of Crime Act. Please note that if the allegation results in conviction, proof of the conviction must be lodged with the Court in Vanuatu and under the Act, the funds are then subject to confiscation by the Vanuatu Government.

Yours faithfully

Susan Phelps

STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY



CG 006499

3522



## European Bank Limited

International Building,  
P O Box 65,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone: (678) 27700  
Fax : (678) 22884  
Telex : (771) 1023 EURTRUST NH  
Email : Security@Vanuatu.com.vu

Our Ref: 1123KEI

31<sup>st</sup> May 1999

Mr. Peter Bong  
Commissioner of Police  
PMB 014  
PORT VILA


STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

Dear Sir:

RE: THE SERIOUS OFFENSES (CONFISCATION OF PROCEEDS)  
ACT NO.50 OF 1989

Pursuant to Section 19(3) we hereby advise that we have received a fax from an overseas law firm advising that certain amounts transferred to the account of Benford Ltd. with us are alleged to be the proceeds of crime. There is not yet any proof of the allegation but we hereby give you notice and advise that effective today the balance of the account has been transferred to a separate current account and frozen until such time as the true nature of the funds are determined and, if applicable, the court has issued an Order in respect of the funds.

Yours faithfully,

  
Kely Ihrig  
Operations Manager

\\CLIENT\ELB\CG\1123mb.doc

This is the annexure marked "C"  
referred to in the affidavit of Sue  
Phelps sworn before me this  
17<sup>th</sup> day of December 1999



CG 006525

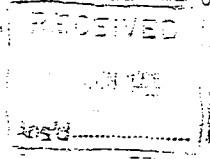
3523

148 40m: 81 Port Street house.  
Ldhn SW1X 0AF  
England.

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SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

Sue Phelps.  
Executive Vice President  
Europress East Co. Ltd.  
International Building,  
P.O. Box 213, Port Vila  
Vanuatu.

2nd June 1989



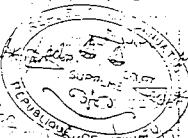
Your reference: 00035UP.mfa/E.  
Re: Arabid Ltd.

Dear Miss Phelps.

Re the telephone conversation on - by date the  
2nd June 1989. Indeed please find a notarized copy  
of my passport, as you requested plus ~~my~~ my original  
signature at the end of this letter. I think for  
the purpose of authentication in terms of my speaking  
to you & the United States. I should use the passport.  
I am sure you will be able to get the passport  
the other documentation for which I am sure.

MARILYN KALANGIS  
MARILYN KALANGIS

Sue Phelps



CG 006501

Vanessa rang:

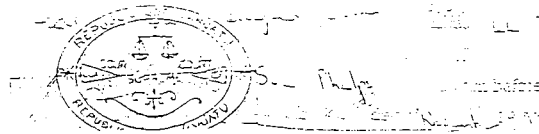
Friday 4 June 7:45 am

She said she had now got her passport  
notarised & would be sending it by Fedex.  
I checked she had our correct physical  
address. She said she'd check on Monday  
to see if it had arrived. I explained it  
could take a lot longer than that. She  
said in her Fedex parcel will be a  
note with a 310 area code in US and  
asked for I leave a message there she  
the courier arrives.

She also said "between countries or some<sup>how</sup>" the  
original does have been lost, so could I  
re-do her work & still sign them and  
have them notarised. I said I couldn't  
see the point of that, but would wait for  
we at least get the passport. I prefer to  
take one step at a time. She said she  
understood. Meanwhile could I advise her  
the the fact we were waiting over -  
the fact of that. I replied I could  
not discuss the matter further.

ONLY

CG 006500



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02 JUL 1991

Δεδοί:

FAX NO : 1 345 945 765

REF/DATE : BNF / 4 June, 1999

PAGE NO: 1 OF 1

Douglas is now enjoying a long holiday prior to leaving Vanuatu. He gave me your name as a contact in case I required any information subsequent to the liquidization of Euro Bank.

Our contact person there was Mr Ivan Burges. I wonder if you can tell me if Mr Burges is still in Caymans and if there would be a private address or telephone number in your local phone book.

I would be grateful for any information.

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ONLY

Sue Phelps  
Executive Vice President

Redacted Information  
in Subcommittee Files

U.S. DEPARTMENT OF JUSTICE

Ivan Burges home number is 345 [REDACTED]. I am afraid I have no information about whether he is still on island.

Cary White

IF YOU DO NOT RECEIVE ALL THE PAGES PLEASE CONTACT US IMMEDIATELY

CG 006505

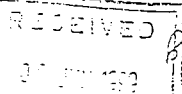
-107-2. BALANCE

## MAPLES and CALDER

Cayman Islands Attorneys-at-Law

PO Box 309, Ugland House  
 South Church Street, George Town  
 Grand Cayman, Cayman Islands

Telephone: 1(345) 949 8066  
 Facsimile: 1(345) 949 8080  
 Email: info@maples.candw.ky



To:	Ms. Susan Phelps	Date:	7 June, 1999
Company:	European Bank Limited	Ref:	273341-01
Country:	Vanuatu	Fax No.:	011-678-22884
Sender:	Justin Appleyard	No. of pages:	1
Sender's e-mail address:	jwa@maples.candw.ky	(Including this page)	

Please notify us immediately  
 If you do not receive all pages  
 Our fax number is 1(345) 949 8080  
 Our telephone number is 1(345) 949 8066 Ext. 344 (fax room)

This fax is confidential and may also be privileged. If you are not the intended recipient, please notify us immediately. You should not copy or disclose its contents to any other person.

Dear Ms. Phelps,

STRICTLY CONFIDENTIAL - NOT FOR  
 CIRCULATION  
 SUBCOMMITTEE MEMBERS AND STAFF  
 ONLY

Re: Euro Bank Corporation

Ivan Burges remains employed by Euro Bank Corporation. You can contact him through this firm or through the Controllers.

Yours sincerely,

Justin Appleyard

CG 006504



Maples and Calder Europe, 7 Princes Street, London EC2A 3QA, Tel: 0171 949 8066

NOT A REPLY TO THIS FAX  
 07 June, 1999

MARLEN KALANGIS  
 CHAIRMAN, INVESTIGATIVE COMMITTEE

3527



## European Bank Limited

International Building,  
P O Box 65,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone: (678) 27700  
Fax : (678) 22884  
Telex : (771) 1023 EURTRUST NH  
Email : Security@Vanuatu.com.vu

### Facsimile Message

TO: Justin Appleyard

FAX NO: 1-345-949-8080

COMPANY: Maples and Calder

REF/DATE: BNF / 4 June, 1999

FROM: Susan Phelps

PAGE NO: 1 of 1



Dear Mr Appleyard

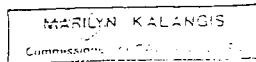
I wonder if you can assist me in locating the whereabouts of Ivan Burges who was employed by Euro Bank.

Yours faithfully

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SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

Susan Phelps

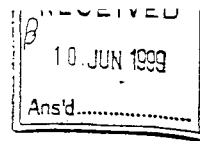
INCIDENT: S-BnfC:0016ragf.doc



14 JUN 1999

CG 006506

3528



EURO BANK CORPORATION

9th June, 1999

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SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

European Trust Company Limited  
International Building  
P.O. Box 63  
Port Vila, Vanuatu  
Southwest Pacific

Fax No: 011-678-22884

Attn: Susan Pholox

Re: Euro Bank - Benford Ltd

We refer to your telephone conversation with our Alison Hill on June 8, 1999.

The Controllers have received a Restraining Order dated June 3, 1999 from the Grand Court of the Cayman Islands that restrains the Controllers in performing any act or further acts relating to Kenneth Taves and /or related parties. We will therefore be unable to assist you further.

Yours truly,

Keg Krys  
For and on behalf of  
the Controllers - Euro Bank Corporation

G.R.

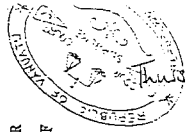
TO: BENEFIT OF THE EURO BANK LTD. (THE "BANK") OF THE CAYMAN ISLANDS, EUROPEAN TRUST COMPANY LIMITED, PORT VILA, VANUATU, SOUTH WEST PACIFIC. THE BANK IS A MEMBER OF THE EUROPEAN TRUST COMPANY LIMITED, PORT VILA, VANUATU, SOUTH WEST PACIFIC. THE BANK IS A MEMBER OF THE EUROPEAN TRUST COMPANY LIMITED, PORT VILA, VANUATU, SOUTH WEST PACIFIC.

MARILYN KALANGIS

Communications Director

CG 006507





Thursday 10<sup>th</sup> June ~ 10:30 am.

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SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

Vanessa rang - spoke to Brigitte. She'd received request for original docs. I explained that Brigitte had been performing internal audit & had followed up as per normal procedure.

Vanessa said she had not had access to Fedex so had posted her passport copy via priority mail. I said it had not yet arrived.

She ~~asked~~ <sup>asked</sup> why we'd waited so long to follow up on original docs. I said we gave a couple of months as people were often slow on such things & or mail is pretty bad.

She asked that I fax the docs I need. I said I'll do that after receiving signing. I said I'll do that after receiving for passport.

She has no fax - uses Mail Boxes Etc.

Fax No 310-456-5109.

but we should ask them to place 310-456-7477.

Vanessa checks on -

I said I would expect her to put it 2 take it from there. She added she put it 2 signatures as her passport is different (was for but same of kind). We'll see!

CG 006508

## COPY CERTIFICATION BY DOCUMENT CUSTODIAN

No. 1009

State of CALIFORNIA

County of LOS ANGELES

I, VANESSA PHYLLIS ANN CLYDE hereby declare that the attached reproduction of  
(NAME OF CUSTODIAN OF ORIGINAL DOCUMENT)

BRITISH PASSPORT  
(DESCRIPTION OF ORIGINAL DOCUMENT)

is a true, correct, and complete photocopy of a document in my possession or control.

Vanessa Phyllis Ann Clyde  
SIGNATURE AND ADDRESS OF CUSTODIAN OF ORIGINAL DOCUMENT

Subscribed and sworn (or affirmed) to before me this 2nd day of JUNE 1999.

David A. Jones  
NOTARY'S SIGNATURE

---

**OPTIONAL**

Though the data below is not required by law, it may prove valuable to persons relying on the document; and could prevent fraudulent reattachment of this form.

**CAPACITY CLAIMED BY CUSTODIAN**

☒ INDIVIDUAL  
☐ CORPORATE OFFICER

TITLE: \_\_\_\_\_

☐ UNIVERSITY/SCHOOL OFFICER  
☐ BUSINESS PROPRIETOR/MANAGER  
☐ GOVERNMENTAL OFFICER/AGENT  
☐ ATTORNEY  
☐ TRUSTEE  
☐ OTHER: \_\_\_\_\_

**FURTHER DESCRIPTION OF ORIGINAL DOCUMENT**

U.K. of GREAT BRITAIN & IRELAND  
TITLE OR TYPE OF DOCUMENT

1  
NUMBER OF PAGES

16 FEB 93  
DATE OF DOCUMENT

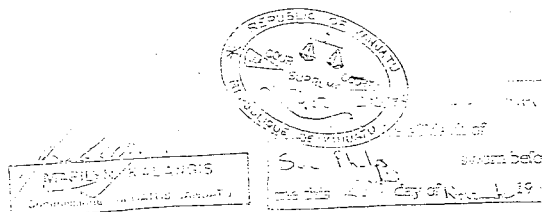
**CUSTODIAN IS REPRESENTING:**  
NAME OF FIRM, SCHOOL, GOVERNMENTAL AGENCY, ETC.

U.K. PASSPORT OFFICE  
SIGNER'S OR ISSUING AGENCY

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MARILYN KALANGIS  
 COMMISSION EXPIRES 04/15/2001

NOTARY PUBLIC  
 STATE OF CALIFORNIA  
 COMMISSION EXPIRES 04/15/2001

[illegible]Redacted Information  
in Subcommittee Files

15 June 99

Phoned Vanessa to say I'd rec'd  
the packet & was very pleased that  
it all checked out & now I know  
with whom I'm dealing.

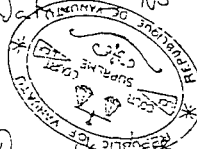
Now I need to know origin of Paul  
& how we should deal with him in  
Barford's books. She said I should  
have got this info from Burger. I  
said the Paul had just arrived without  
supporting documentation. I asked her  
to write a fax detailing this. She  
asked if it should be notarised. I  
said no. I told her (was Paul's law  
firming order & wouldn't talk to me.  
I also told her that lawyers especially  
Contractors had suggested that there may  
be an error & they may ask  
for the Paul to be traced. She said  
this information I could pass on to  
need for input.

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MARILYN KALANGIS  
COMMISSIONER OF NATURAL RESOURCES

CG 006509

Vanessa Clyde.   
 No information for her.   
 Gro Bank in liquidation.   
 How long?   
 My people. Doesn't know of company   
 off the is some inquiry



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ONLY

English was asked to open the a/c.   
 Doesn't know when   
 She is sole resp. Doesn't want any signature   
 attached to her.   
 Is there any way we   
 Don't know how much.   
 Could hazard a guess   
 wasn't responsible for putting funds in   
 Not for personal funds.   
 Extremely uncomfortable

Any?   
 Yes - pending   
 Does not know

MARILYN KALANGIS  
Commissioner of Health Services

Suz Phelps  
June 1999

3534

ADR1  
New Company.



Redacted Information  
in Subcommittee Files

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SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

*(Signature)*

W/less Initial Answer freeze  
the requests  
earnings — to separate account?  
if, somebody had taken this  
she doesn't want to be turned.

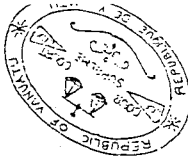
18,000+  
gone out.  
I agreed.

CG 006511

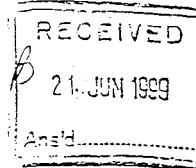
6-11-74  
MARION KILANGIS  
Communications Section

S. - Philp  
- 11-11-74

3535



**MAIL BOXES ETC.**  
**FAX TRANSMITTAL FORM**



DATE: 18<sup>th</sup> June 1999

NUMBER OF PAGES W/ COVER SHEET: 1

TO: Sue Phelps, Executive Vice President

COMPANY NAME: European Trust Company Ltd

FAX: 011 678 22884

PHONE: 011 678 24680

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SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

FROM: V. CLYDE

COMPANY NAME: \_\_\_\_\_

91 MAIL BOXES ETC: 310 456-5109

FAX: \_\_\_\_\_

310 456-9499

PHONE: \_\_\_\_\_

SUBJECT: BENFORD - ORIGINAL OF ATTACHED IS  
ALREADY IN THE POST

MAIL BOXES ETC., 20052 PACIFIC COAST HIGHWAY, MALIBU, CA 90263

PHONE 310/456-2700 FAX 310/456-5109

18 JUN 1999  
MARION KALANGIS  
Commissioner of Customs and Excise

Sue Phelps  
Executive Vice President  
European Trust Company Ltd

CG 006512



100-355000  
Linda Smith OAF  
England.

17 June 1957

Mr. J. Edgar Hoover  
Executive Vice President  
American Trust Co. Ltd.  
International Building  
15, Bay St.  
New York, New York

STRICTLY CONFIDENTIAL - NOT FOR  
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SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

Dear Mr. Hoover:

Your reference 100-355000 re: the London Ltd.

As we discussed today (my time - California time) on the telephone  
+ in view of our earlier discussion on the 24th May (California time) in  
which you said that there had been a telephone enquiry from the  
Comptroller General as to whether the funds London received had been intended  
for London.

I would prefer these funds in London's account with you,  
be given immediately pending the outcome of the enquiry, particularly  
since I have been unable to establish/clear up until now, where &  
how the funds originated.

Again in view of the above, should you receive any communication  
concerning London, or by whom that does not have my approval/consent  
attached, I would greatly appreciate your being kind enough to  
disregard it + return it. I am by the way still in the USA. I am not  
travelling abroad until after my official Dec 1st when I will be  
in London until I return.

Thank you so much for your help + understanding in this matter.

My best wishes

Yours,

Marilyn Kalangis

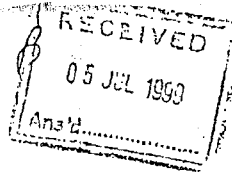
5-10-57  
100-355000-1577

MARILYN KALANGIS  
COMMISSIONER OF INVESTIGATION

CG 006513



3537



7/2/99

Ref: Benford Limited; #26193; BNF

Dear Ms. Sue Phelps:

Please wire from Benford Limited \$700,000 (seven hundred thousand) to:

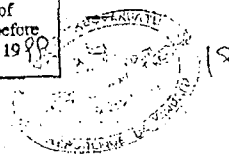
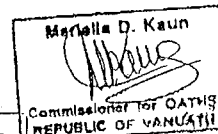
Account of Raymond F. Creed, Account Number 021 056 2304, Routing Number 325  
170 628, Anchor Savings Bank, Elma, Washington, U.S.A.

Anchor Savings Bank, Box 500, Elma, Washington 98541; Telephone number 360-482-  
2666, Customer Number for reference: 533 72 2355.

Thank you.

No Password  
- ignore.

This is the annexure marked "L"  
referred to in the affidavit of  
T.M. Baye sworn before  
me this 28 day of 07/1999



3538

"D"

IN THE SUPREME COURT OF  
THE REPUBLIC OF VANUATU

(CIVIL JURISDICTION)

Comp

CIVIL CASE NO. 03 OF 1999

STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

IN THE MATTER OF: EUROPEAN BANK LIMITED  
of International Building, PO Box  
65, Port Vila, Vanuatu

Applicant

AND

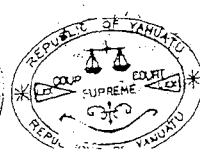
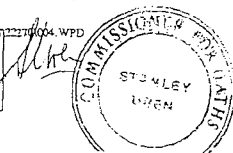
IN THE MATTER OF: The Serious Offences  
(Confiscation of Proceeds) Act  
[No. 50 of 1989] and the Vanuatu  
International Companies Act [No.  
32 of 1992].

## ORDERS

UPON HEARING Mr John Ridgway and UPON READING the Affidavit of T.M. Bayer filed  
herein it is hereby ordered that:

1. The officers and agents of European Bank Limited (the "Bank") be and are hereby  
authorised, and required, to divulge such of the business, financial or other affairs or  
transactions of Benford Limited (the "Company") as are in their possession, custody  
and/or control to the Police and other law enforcement agencies of the Government of the  
Republic of Vanuatu.
2. (a) Otherwise than as provided in sub-paragraphs (b) and (c) hereof, the Bank be and  
is hereby restrained until further order of this Court from releasing or otherwise  
dealing with all or any funds standing to the credit of the Company with the  
Bank, including but not limited to those funds held with the Bank in account  
number 8901-116101-0206.  
(b) The Bank be and is hereby authorised until further order of this Court to deal with  
the assets of the Company for the purpose of preserving its capital.  
(c) The Bank be and is hereby authorised until further order of the Court to deal with  
the assets of the Company to meet the Banks costs of and incidental to this  
application and the due administration of the Company's funds as levied in  
accordance with the Bank's published schedule of fees, and the account opening  
forms of the company lodged with the Bank.

C:\OFFICE\WP\WP\DOCS\11111111.WPD  
This is the annexure marked "D"  
referred to in the affidavit of Sue  
Phelps sworn before me this  
17<sup>th</sup> day of December 1999



CG 006526

3. The Bank takes all necessary and reasonable steps to bring the existence of these orders and this application to the attention of the following parties:

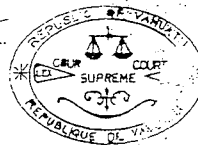
- (a) The Commissioner of Police, Port Vila, Republic of Vanuatu;
- (b) The Public Prosecutor, Port Vila, Republic of Vanuatu;
- (c) Benford Limited;
- (d) Mrs Vanessa Clyde; and
- (e) The liquidators of Euro Bank Corporation.

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CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

4. That the matter be relisted at 9 am/pm on 24<sup>th</sup> August, 1999. OAS

DATED at Port Vila this 26<sup>th</sup> day of July 1999.

BY THE COURT



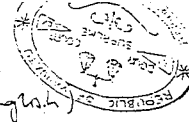
C:\OFFICE\WP\DATA\WPDOS\22270\004.WPD  
This is the annexure marked "D" referred to in the affidavit of Sue Phelps sworn before me this 17<sup>th</sup> day of December 1999



CG 006527

4 August 1999 12 noon

Vanessa Collyer phoned (English)



— asked if any news.

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SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

I said I had sent to her London address  
the Court Orders which would explain where  
we stood.

She said she is still in California but  
will have the letter forwarded.

Very concerned that she is protected from  
any slur.

Asked if R.D.s would be generating income.

I said no — Rosen meant just that.

No-one can make money out of R.D.s

which may have been result of fraud.

She asked if anyone had tried to get money.

I said I'd had a fax with her signature  
asking for a transfer to a Raymond Crest.

There was no code word. He subsequently

rang and said he would get back to  
Vanessa. She said, "so he said he knew me?"

I said that appeared to be so, but it was  
all academic as I couldn't transfer any money.

She thanked me profusely for everything.

P.

ARILYN KALANGIS  
Communications, California, Washington

See the file of the  
day of the  
1999

3541

Vanessa Chyke

Has just received court order. Why is he  
name on file

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SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

Told her  
she is  
13  
Contact for Statement etc

How much? Cannot tell her!

Ewo Bank - gave her lawyers  
no.

She's very worried, but is grateful  
to me for all the help.  
B.

*Marilyn Kalangis*  
MARILYN KALANGIS  
Commissioner for OATHS, VANUATU

Subscribed and sworn to before me this 23 day of 11/1999

CG 006516

3542

20/09/99 10:15  
20/09/99 10:23



## European Bank Limited

International Building,  
P O Box 65,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone: (678) 27700  
Fax : (678) 22884  
Telex : (771) 55023 EURTRUSTNH  
Email : info@europeanbank.net

NO. 892 - 001

### Facsimile Message

TO : Matt Millard  
COMPANY : ANZ Bank (Vanuatu) Limited  
FROM : Roy Abel

FAX NO: 22814  
REF/DATE: EUB/17-09-99  
PAGE NO: 1/1

Our Ref: PLA99-63

With reference to our telephone call (Jean/Merrlyn) of today.

We confirm the following placing with you:

Amount : USD 7,561,082.83  
Period : 30 days  
Value : 20 September 1999  
Maturity : 20 October 1999  
Interest rate : 5.1500 % pa

Settlement by us from (and to, by you on maturity) :

Our USD account number [REDACTED] with yourselves.

Settlement to us by you to:

A new USD ISD account.

Redacted Information  
in Subcommittee Files

We look forward to receiving your confirmation advice.

Yours sincerely,

Authorised Signatory

Authorised Signatory

TRANSACTION POSTING NUMBER	52
PROCESSED BY	W
VERIFIED BY	

20/09/99 10:23  
FAX NO: 22814  
REF/DATE: EUB/17-09-99  
PAGE NO: 1/1  
TRANSACTION  
POSTING  
NUMBER: 52  
PROCESSED  
BY: W  
VERIFIED BY: [REDACTED]

272

3543

100 (23) 01:47

ANZ PORT VILA 0982/00000 990921  
21/09/99 07:10:05 ANZBVUVXXXX0882076401  
NORMAL

EUROPEAN BANK LIMITED

/61698 990920005027  
20/09/99

990920ANZBUS33AXXX8010742383  
AUSTRALIA AND NEW ZEALAND BANKING  
GROUPE LTD.  
NEW YORK, NY

EUROPEAN BANK LIMITED  
PORT VILA, VANUATU

ORDERING BANK  
//CH389791  
EUROPEAN BANK LTD.  
KUMUL HIGHWAY  
DETAILS OF PAYMENT  
/RFB/LCK92600632600  
B/O EUROPEAN BANK LIMITED  
DETAILS OF CHARGES  
CHARGE TO BENEFICIARY  
BANK TO BANK INFORMATION  
THE BANK INSTRUCTING THE SENDING BANK TO EXECUTE THE TRANSACTION  
CITIBANK NEW YORK, N. Y. 10043  
INSTRUCTIONS TO BENEFICIARY'S BANK LTD //ATTN:MERRILYN  
ADVISE TO //ANZ BANK VANUATU  
INSTRUCTIONS TO BENEFICIARY  
/INT/PLEASE SEND MT100 6.00 FEE DEDUCTED  
TRAILER MAC:A438EA95

INTERNATIONAL BUILDING  
PORT VILA, VANUATU

Case  
Payment effected 20/9.

USD\*\*\*\*\*7,561,076.83

CHK.: 7BBBFE30C7E3

\*\*\*\*\* --- END OF MESSAGE PRINT --- \*\*\*\*\*

IN THE SUPREME COURT OF  
THE REPUBLIC OF VANUATU

CIVIL CASE NO. 85 OF 1999

7

(CIVIL JURISDICTION)

BETWEEN: ROBB EVANS of ROBB EVANS & ASSOCIATES as Receiver over J.K. Publications, Inc., M/D Service Corp., TAL Services, Inc., and their affiliates and subsidiaries, and as Receiver over the assets of Kenneth Taves and Teresa Taves, of 11450 Sheldon Street Sun Valley, California 91352, United States of America.

Plaintiff

A N D:

EUROPEAN BANK LIMITED a local Vanuatu Bank having its registered office at International Building, Kumul Highway, Port Vila, Efate in the Republic of Vanuatu

First Defendant

A N D:

BENFORD LIMITED an international company incorporated pursuant to the Vanuatu International Companies Act 1992 and having its registered office at International Building, Kumul Highway, Port Vila, Efate in the Republic of Vanuatu

Second Defendant

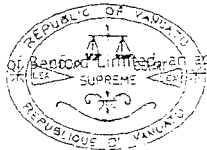
---

AFFIDAVIT OF VANESSA PHYLLIS ANN CLYDE

---

I, VANESSA PHYLLIS ANN CLYDE, of Malibu California USA, Interior Decorator, hereby make oath and say:

1. I am the person named as the beneficial owner of Benford Limited an account holder at European Bank Limited.

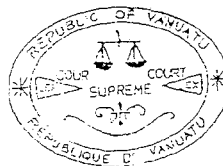




Annexed hereto and marked "A" is a true copy on my United Kingdom of Great Britain and Northern Ireland, Passport No. 007685788 issued on 16 February 1993 and expiring on 21 January 2003.

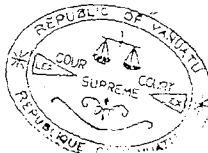
Annexed hereto and marked with the letter "B" is a true copy of the letter dated 24 February 1999 that I received from European Trust Company Limited, being the first correspondence that was ever forwarded to me alerting me to a company by the name of Benford Limited having been incorporated in Vanuatu.

4. Following my telephone conversation with Ms Sue Phelps on 24 May 1999, whom I understand is an authorised officer from Direct Limited, being the sole director of Benford Limited, annexed hereto and marked "C" is a true copy of my facsimile dated 25 May 1999 to Ms Phelps.
5. Annexed hereto and marked with the letter "D" is a true copy of the letter I received from European Trust Company Limited dated 26 May 1999.
6. Following my telephone conversation with Ms Phelps on 2 June 1999, annexed hereto and marked "E" is a true copy of my letter to Ms Phelps dated 2 June 1999. I have deleted the password from this letter, subject to an order of this Honourable Court to reveal same.
7. Following my telephone conversation with Ms Phelps on 17 June 1999, annexed hereto and marked "F" is a true copy of my letter to Ms Phelps dated 17 June 1999. I have again deleted my password from this correspondence, subject to an order of this Honourable Court.
8. Annexed hereto and marked "G" is a true copy of the letter I received from European Bank Limited dated 29 July 1999.
9. Annexed hereto and marked "H" is a true copy of a file note I took contemporaneously of a telephone conversation that I had with Ms Phelps on 15 August 1999.
10. I have not authorised, engaged or provided any instructions to Geoffrey Gee & Partners to represent Benford Limited. Such persons have no authority from me or any agent acting on my behalf, nor do they represent me in any manner. To the extent that they may claim or present evidence that they do have any such authority, or to the extent the Court may deem such authority to have existed, I hereby discharge them and order them to take no further action in my name or on my behalf, whatsoever.



I knew nothing of the founding of Benford Limited, nor of the opening of an account with European Bank Limited, until I received, unsolicited, a copy of Benford's Articles of Incorporation and a summary of charges from European Bank, (being Annexure "B" hereto), during the second quarter of this year. Except as outlined below, I still know nothing of these matters.

12. In late January of 1999, I was living in and decorating a room in Malibu California for an old and close friend of my family, Gretchen Buck. At that time Ms. Buck told me that, since I held a British passport, I would earn a helpers fee of at least \$10,000 if I would assist her in opening an offshore account for "a friend". I was assured that the purposes of the account were totally above board and the "friend" was of unimpeachable integrity with a few legitimate business problems but a person who craved anonymity. I agreed to assist, and at Ms. Buck's request, signed 40 pieces of blank paper. I have not seen these papers since, and have no idea how many papers still exist, nor in whose hands they may have fallen.
13. I became suspicious thereafter when Ms. Buck was not forthcoming with details of the progress of the account and when she, on several occasions, even evaded discussion about these matters or refused entirely to discuss them. She would say, among other things, "Its best you don't know" and "You don't need to know those things". When I received the list of charges mentioned above, I knew whom to contact to learn the details of the account and gained a plausible reason for such contact that would not overtly reveal my growing distrust for Ms. Buck and the purposes of the account.
14. I then contacted Ms. Sue Phelps of European Bank and after verifying my identity through my passport that I transmitted, I placed a password on the account to prevent funds from being expended from it or disbursed in any manner without my knowledge and or consent. I later disclosed the password to two Special Agents of the Federal Bureau of Investigation and to no other person. I am afraid that, if the password were divulged, the leaking of that information might result in funds being withdrawn from the account without my knowledge or consent. In that event I am afraid that I might be held negligent, for revealing the password, by those persons making claims for the repatriation and/or restitution of such funds.
15. I have, on several occasions, spoken by telephone to Ms. Sue Phelps who is an authorised officer of Diract Limited, the Director of Benford Limited. I have an English accent and I verily believe that Ms Phelps recognizes my voice. I am prepared to provide the password of the Benford Limited account held at European Bank Limited to Ms Phelps in order to facilitate my request, subject to the order of this Honourable Court, that the funds held in that account be transferred to the account as detailed in paragraph 16 hereunder.

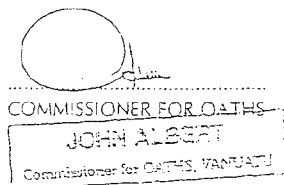


I am now authorising, subject to the Order of this Honourable Court, European Bank Limited to remit all of the funds in Benford Limited Account to Robb Evans, Receiver. Such funds are to be remitted as follows:

1. City National Bank  
8012 Vineand, Sun Valley, CA 91352  
ABA #1222-2943-9  
Account #01075829  
Credit Account of: Robb Evans, Receiver J.K. Publications Inc, et al.
17. Annexed hereto and marked "I" is a true copy of the direction I have forwarded to Meldrew Limited on 21 September 1999, the only entity to date which has been allotted shares in Benford Limited.
18. Annexed hereto and marked "J", "K", "L", "M", "N" are true copies of the various consents to act of the new office bearers of Benford Limited to put into effect Annexure "I" together with the Share Transfer from Meldrew Limited to Security Nominees Limited.
19. To the extent that it might be suggested that there is any conflict of interest between George Vasaris & Co. Acting for the Plaintiff herein and Security Nominees Limited accepting appointments as an office bearer of Benford Limited then I expressly waive any such suggested conflict of interest relying upon documents incorporated hereby reference to wit, and including the documents forming part of Annexure "B" hereto.
20. I hereby declare that I am making this Affidavit of my own free will and without any duress whatsoever.

SWORN AND DELIVERED by the )  
abovenamed Deponent this 22nd )  
day of September, 1999 )  
Before me: *John Albert* )

*Vanessa Phyllis Ann Clyde*  
VANESSA PHYLLIS ANN CLYDE



VANESSA PHYLLIS ANN CLYDE  
Malibu California

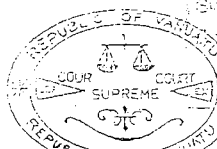
**MELDREW LIMITED**  
International Building  
Kumul Highway  
PORT VILA, Efate  
Republic of Vanuatu

BENFORD LIMITED ("THE COMPANY")

1. As you are aware, I am the beneficial owner of the Company. Accordingly, I direct you to forthwith pass the necessary resolutions to carry into effect my instructions as set out hereunder.
2. REMOVE from office DIRACT LIMITED as the Director of the Company.
3. APPOINT SECURITY NOMINEES LIMITED, C/-Law House, Second Floor, Kumul Highway, Port Vila, Efate, Republic of Vanuatu as the NEW DIRECTOR of the Company.
4. REMOVE from office LOTIM LIMITED as the Secretary of the Company.
5. APPOINT GEORGE VASARIS as the Secretary of the Company.
6. APPOINT as the REGISTERED AGENT of the Company SECURITY NOMINEES LIMITED of Law House, 2nd Floor, Kumul Highway, Port Vila, Efate, Republic of Vanuatu. The persons and offices mentioned in Paragraphs 3, 5, and 6 shall continue to take direction from me.
7. REMOVE the existing AUTHORIZED BANK SIGNATORIES and replace with:

VANESSA PHYLLIS ANN CLYDE

8. CHANGE the REGISTERED OFFICE of the Company to LAW HOUSE, 2ND FLOOR, KUMUL HIGHWAY, PORT VILA, EFATE, REPUBLIC OF VANUATU.
9. TRANSFER all of the ISSUED SHARES from MELDREW LIMITED to SECURITY NOMINEES LIMITED.



Sworn this 22 day of SEPTEMBER 1991  
VANESSA P. A. CLYDE  
Commissioner for OATHS, VANUATU

that the appropriate minutes be entered in the above-mentioned changes to the Company's administration.

In support of this request, I provide proof of my identification in the form of a true copy of my United Kingdom of Great Britain and Northern Ireland passport no. 007685788 issue on 16 February 1993 and expiring on 21 January 2003. Would you please urgently inform me if you require me to take any other steps before carrying out my above instructions.

12. If not, then on completion of the above matters, please forward all of the Statutory Records of the Company to Security Nominees Limited, Attention: Mr. George Vasaris.

DATED at Los Angeles, USA this 16<sup>th</sup> day of September, 1999.

SIGNED by VANESSA PHYLLIS ANN CLYDE  
in the presence of:

Kenton Johnson

Witness to signature :

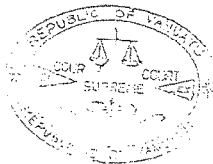
Occupation :

Address :

KENTON JOHNSON

ASSET MGR.

LOS ANGELES CA



“三”



International Building,  
P O Box 65,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone: (678) 27700  
Fax : (678) 22884  
Telex : (771) 55023 EURTRUST NH  
Email : [info@europeanbank.net](mailto:info@europeanbank.net)

BENFORD LIMITED  
P.O. BOX 45  
PORT VILA

Total proceeds from your current  
account.

ACCOUNT NO:	8901-11610-0206
DEPOSIT AMOUNT:	USD 7,378,373.01
VALUE DATE:	12 October, 1999
INTEREST RATE:	4.6500%
MATURITY DATE:	12 November, 1999
INTEREST ON MATURITY:	US 29,544.24

Dear Madam/Sir,

We are pleased to confirm that we have accepted your term deposit as per your instructions.

Interest accrued will be credited as per your instructions after the maturity date.

Disposal/Renewal instructions must reach us 2 business days before maturity date. In the absence of your instructions we will automatically renew your deposit for a similar term.

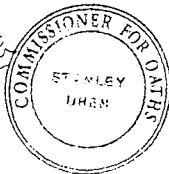
If you have any questions regarding your investment, please do not hesitate to contact us.

Authorised Signatory

Authorized Signatory

STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

This is the annexure marked "E" referred to in the affidavit of Sue Phelps sworn before me this 17<sup>th</sup> day of December 1999



CG 004625

3551

FROM GEORGE VASARIIS

12.10.1999 12:43

P. 39



## European Bank Limited

International Building,  
P O Box 63,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone: (678) 27700  
Fax : (678) 22884  
Telex : (771) 55023 EURTRUST NH  
Email : info@europeanbank.net

STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

CG 006340

### INTEREST BEARING DEPOSIT CONFIRMATION

Our Ref: DEP99-126

BENFORD LIMITED  
P.O. BOX 45  
PORT VILA

12 October 1999

ACCOUNT NO:	8901-11610-0206	Total proceeds from your current
DEPOSIT AMOUNT:	USD 7,378,373.01	account.
VALUE DATE:	12 October, 1999	
INTEREST RATE:	4.6500%	
MATURITY DATE:	12 November, 1999	
INTEREST ON MATURITY:	US\$ 29,544.24	

Bank with whom deposit made:- Citibank Limited, OBU Sydney.

Dear Madam/Sir,

We are pleased to confirm that we have accepted your term deposit as per your instructions.

Interest accrued will be credited as per your instructions after the maturity date.

Disposal/Renewal instructions must reach us 2 business days before maturity date. In the absence of your instructions we will automatically renew your deposit for a similar term.

If you have any questions regarding your investment, please do not hesitate to contact us.

\_\_\_\_\_  
Authorised Signatory

\_\_\_\_\_  
Authorised Signatory

This and the succeeding \_\_\_\_\_ pages constitutes the Annexure  
marked \_\_\_\_\_ referred to in the Affidavit/Statutory  
Declaration of \_\_\_\_\_  
sworn/mailed at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_  
Before me: \_\_\_\_\_  
A Justice of the Peace/Solicitor/Commissioner for Affidavits

3552



## European Bank Limited

International Building,  
P O Box 65,  
Port Vila, Vanuatu  
Southwest Pacific

F

Telephone: (678) 27700  
Fax : (678) 22884  
Telex : (771) 55023 EURTRUST NH  
Email : info@europeanbank.net

STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STA  
ONLY

### INTEREST BEARING DEPOSIT AMENDED CONFIRMATION

Our Ref: DEP99-96

BENFORD LTD  
P.O. BOX 45  
PORT VILA

13 October 1999

ACCOUNT NO:	8901-116101-0106	(Total proceeds from your
DEPOSIT AMOUNT:	USD 7,378,373.01	current account)
VALUE DATE:	12 October, 1999	
INTEREST RATE:	4.65%	
MATURITY DATE:	12 November 1999	
INTEREST ON MATURITY:	USD 29,544.24	

Dear Madam/Sir,

We are pleased to confirm that we have renewed your deposit as per your instruction

Interest accrued will be credited as per your instructions after the maturity date.

Disposal/Renewal instructions must reach us 2 business days before maturity date. In the absence of your instructions we will automatically renew your deposit for a similar term.

If you have any questions regarding your investment, please do not hesitate to contact us.

\_\_\_\_\_  
Authorised Signatory

\_\_\_\_\_  
Authorised Signatory

This is the annexure marked "F"  
referred to in the affidavit of Sue  
Phelps sworn before me this  
17<sup>th</sup> day of December 1999



CG 006529



3553



## European Bank Limited

International Building,  
P O Box 63,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone: (678) 27700  
Fax : (678) 22884  
Telex : (771) 55023 EURTRUSTNH  
Email : info@europeanbank.net

### Facsimile Message

TO: The Manager, Dealing Room  
COMPANY: ANZ Bank, (Vanuatu) Ltd  
FROM: Roy Abel

FAX NO: 22814  
REF/DATE: EUB/18-10-99  
PAGE NO: 1 / 1

Our Ref: PLA99-63

We confirm that our following placing with you :

Amount : USD 7,561,082.83  
Interest due : USD 32,449.65  
Maturity : 20 October 1999

THIS ORIGINAL  
WAS PREVIOUSLY FAXED TO YOU  
FOR YOUR ACTION

AVOID DUPLICATION


Will not be renewed, consequently value 20 October 1999, we thank you to arrange settlement as follows :

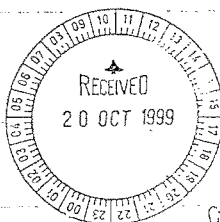
Total of USD 7,593,532.48 to our USD account number [REDACTED] with yourselves.


Redacted Information  
in Subcommittee Files


We look forward to receiving your confirmation advice.

Yours sincerely,

  
Authorised Signatory



  
Authorised Signatory

Signature: 

3554

00000000000542715

USD NEGOTIATED TERM A/C

(USD)

PAGE NO. 01

STATEMENT DATE 21/06/2000

EUROPEAN BANK LIMITED

P O BOX 65

PORT VILA

DATE	TRANS. DETAILS	AMOUNT	BALANCE
200999 PORT VILA	CREDIT	7561082.83	7561082.83
	TRFFROM [REDACTED]		
191099 INTERNAL	CREDIT INTEREST	32449.65	7593532.48
201099 PORT VILA	DEBIT	7593532.48-	0.00
	PRINCIPLE & INTEREST ACCRUED TRF TO A/C [REDACTED]		
201099 PORT VILA	CLOSE ACCT CSH	0.00	0.00
END OF STATEMENT			

Redacted Information  
in Subcommittee Files

3555



## European Bank Limited

International Building,  
P O Box 65,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone: (678) 27700  
Fax : (678) 22884  
Telex : (771) 55023 EURTRUSTNH  
Email : info@europeanbank.net

### Facsimile Message

TO : Charles Linda , FAX NO: 612 9239 9690  
COMPANY : Citibank Ltd, Sydney, Australia REF/DATE: EU5/18-10-99  
FROM : Roy Abel PAGE NO: 1 / 1

Our Ref: PLA99-126

With reference to our telephone call (Jean/Linda) of today.

We confirm the following placing with you:

Amount : USD 7,593,532.48

Period : 30 days

Value : 20 October 1999

Maturity : 19 November 1999

Interest rate : 5.0400 % pa

Settlement by us from (and to, by you on maturity) :

Our USD account number 36125294 CITIBANK N.A OBU NEW YORK.


STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY


Settlement to us by you to:

A new USD 1BD.

We look forward to receiving your confirmation advice.

Yours sincerely,

  
Authorised Signatory

  
Authorised Signatory

This is the annexure marked "E" referred to in the affidavit of Sue Phelps sworn before me this ( )<sup>th</sup> day of December 1999



CG 006532

Transmitted by FAX  
ON 18 OCT 1999 4:18 PM

TRANSMITTED BY FAX  
ON 18 OCT 1999 4:18 PM

3556

27A



## European Bank Limited

International Building,  
P O Box 65,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone: (678) 27700  
Fax : (678) 22884  
Telex : (771) 1023 EURTRUST NH  
Email : Security@Vanuatu.com.vu

### Facsimile Message

TO :	MERRILYN MALAS	FAX NO :	22814
COMPANY :	ANZ BANK (VANUATU) LTD	REF/DATE :	EUB/18.10.99
FROM :	KELY IHRIG	PAGE NO :	1 OF 1

Our ref: 99-01575

Dear Madame,

By debiting our USD account No. [REDACTED] for value 20.10.99, please T/T USD7,593,532.48  
(United State Dollars, Seven Million Five Hundred Ninety Three Thousand Five Hundred Thirty  
Two and 48/100 only) to:

Redacted Information  
in Subcommittee Files

CITIBANK LIMITED  
111 WALL STREET  
NEW YORK  
UNITED STATES OF AMERICA

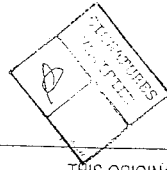
Swift code: CITIUS33

Beneficiary: European Bank Limited  
Account No.: 36121226

Please note that your charges will be deducted from the same account

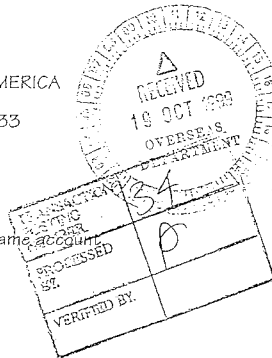
Yours faithfully,

Authorised Signatory



Authorised Signatory

THIS ORIGINAL  
WAS PREVIOUSLY FAXED TO YOU  
FOR YOUR ACTION  
.....  
AVOID DUPLICATION



3557



## European Bank Limited

International Building,  
P O Box 65,  
Port Vila, Vanuatu  
Southwest Pacific

"G"

Telephone: (678) 27700  
Fax : (678) 22884  
Telex : (771) 55023 EURTRUST NH  
Email : info@europeanbank.net

### INTEREST BEARING DEPOSIT CONFIRMATION

STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

Our Ref: DEP99-96

BENFORD LTD  
P.O. BOX 45  
PORT VILA

10 November 1999

ACCOUNT NO:	8901-116101-0106	(Roll-over principal of
DEPOSIT AMOUNT:	USD 7,399,727.97	USD 7,378,373.01 plus interest less
VALUE DATE:	12 November, 1999	USD 8,189.28 to European Trust Co
INTEREST RATE:	4.55%	General Account)
MATURITY DATE:	13 December 1999	
INTEREST ON MATURITY:	USD 28,992.55	

Dear Madam/Sir,

We are pleased to confirm that we have renewed your deposit as per your instruction

Interest accrued will be credited as per your instructions after the maturity date.

Disposal/Renewal instructions must reach us 2 business days before maturity date. In the absence of your instructions we will automatically renew your deposit for a similar term.

If you have any questions regarding your investment, please do not hesitate to contact us.

\_\_\_\_\_  
Authorised Signatory

\_\_\_\_\_  
Authorised Signatory

This is the annexure marked "G"  
referred to in the affidavit of Sue  
Phelps sworn before me this  
17<sup>th</sup> day of December 1999



CG 006530

3558



## European Bank Limited

International Building,  
P O Box 65,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone: (678) 27700  
Fax : (678) 22884  
Telex : (771) 55023 EURTRUSTNH  
Email : info@europeanbank.net

### Facsimile Message

TO : Charles  
COMPANY : Citibank Ltd, Sydney, Australia  
FROM : Roy Abel

FAX NO: 612 9239 9690  
REF/DATE: EUB/17-11-99  
PAGE NO: 1 / 1

Our Ref: PLA99-126

With reference to our telephone call (Jean/Linda) of today.

We confirm the following placing with you:

Amount : USD 7,625,425.32

Period : 24 days

Value : 19 November 1999

Maturity : 13 December 1999

Interest rate : ~~5.25~~ 5.00% pa

Settlement by us from (and to, by you on maturity) :

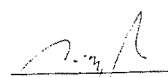
Roll-over existing placing principal plus interest.

Settlement to us by you to:

We look forward to receiving your confirmation advice.

Yours sincerely,

  
Authorised Signatory

  
Authorised Signatory

This is the annexure marked "J"  
referred to in the affidavit of Sue  
Phelps sworn before me this  
17<sup>th</sup> day of December 1999



CG 006533

3559

ROBB EVANS  
Receiver of J.K. Publications, Inc. et al.  
11450 Sheldon Street  
Sun Valley, California 91352  
Telephone No.: (818) 768-8100  
Facsimile No.: (818) 768-8802

VIA FACSIMILE AND FEDERAL EXPRESS  
FAX # (02) 92399427 / 55 pages

November 30, 1999

Citibank Limited  
Offshore Banking Unit  
Main Branch  
1 Margaret Street, 53 Martin Place  
Sydney, Australia NSW 2000

Dear Sir or Madam:

EUROPEAN BANK, LIMITED / BENFORD LIMITED, VANUATU

I am the Federal Court Receiver over a group of companies involved in a massive credit card fraud and money laundering case. I enclose copies of my appointment orders entitled Federal Trade Commission v. J.K. Publications, Inc., et al. dated January 6, 1999 and March 15, 1999.

A portion of the stolen funds has been traced to Benford Limited and European Bank, Limited in Vanuatu. Benford Limited has been indicted by the Vanuatu authorities for money laundering.

We have discovered through the production of documents in the proceedings against Benford and European Bank that the underlying funds are on deposit with you. We were advised that these funds totaled US\$7,378,373.01 on October 12, 1999.

We hereby put you on notice that I assert priority claims over any funds originating from this fraud, including the funds on deposit with you, and am taking steps to recover these funds from all recipients and depositories, including Citibank.

Very truly yours,

  
Robb Evans  
Federal Court Receiver

cc: Brent Whittlesey, Esq., U.S. Attorney, Los Angeles  
Mike Kelly, Special Agent, Federal Bureau of Investigation  
Citibank, New York (Legal Department)  
- Robert L. Cox, Esq., Global Citibanking  
- David Denton, Esq., Criminal & Fraud Investigation Unit  
Gary O. Caris, Esq., Frandzel Share et al., Los Angeles  
Tim Peken, Esq., Deacons, Graham & James, Sydney

Fax No.: (213) 894-6269  
Fax No.: (310) 996-4194

Fax No.: (718) 248-5471  
Fax No.: (212) 793-5942  
Fax No.: (310) 651-2577  
Fax No.: (02) 93308111

3560

STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

IN THE SUPREME COURT OF THE REPUBLIC OF VANUATU  
VANUATU  
PORT VILA

754  
CR /99

INFORMATION  
(Section 152 CPC)

The day of 1999 the Court is informed by the public prosecutor that  
BENFORD LIMITED charged with the following offences: -

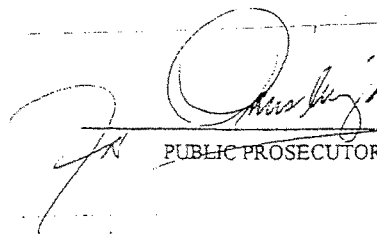
Count 1 Statement of Offence

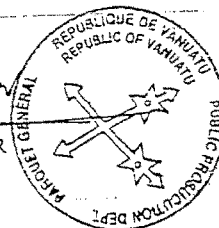
Possession ETC OF PROPERTY SUSPECTED OF BEING PROCEEDS OF CRIME  
Contrary to section 20 (1) of serious offence confiscation of proceeds Act No 50 of 1989

Particulars of offence

Benford limited being a body corporate registered and incorporated in the Republic of Vanuatu, Was between January 1 1999 and May 31, 1999 received and or brought into Vanuatu the sum of seven million and Five Hundred US Dollars ( US \$ 7.5 million) the money reasonably suspected of being proceeds of crime.

PORT VILA, this 30 Day of November 1999

  
PUBLIC PROSECUTOR



HAMLISON H. SULO  
NOTARY PUBLIC

CG 006381



IN THE SUPREME COURT OF  
THE REPUBLIC OF VANUATU

(CIVIL JURISDICTION)

*Coup*  
CIVIL CASE NO. /4 OF 1999

*Ser. 15/12/99*

IN THE MATTER OF:

THE INTERNATIONAL  
COMPANIES ACT NO. 32 OF  
1992, AS AMENDED

STRICTLY CONFIDENTIAL - NOT FOR AND:  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

IN THE MATTER OF:

BENFORD LIMITED an  
international company incorporated  
pursuant to the Vanuatu International  
Companies Act 1992, as amended,  
and having its registered office at  
International Building, Kumul  
Highway, Port Vila, Efate in the  
Republic of Vanuatu

AND:

IN THE MATTER OF:

An application by VANESSA  
PHYLLIS ANN CLYDE for a  
declaration that she is the sole  
beneficial owner of Benford Limited.

BETWEEN:

VANESSA PHYLLIS ANN  
CLYDE of C/- Juris Ozols &  
Associates, 1st Floor Lolam House,  
Kumul Highway, Port Vila, Republic  
of Vanuatu  
Applicant

AND:

MELDREW LIMITED being sole  
registered shareholder of Benford  
Limited, C/- International Building,  
Kumul Highway, Port Vila, Efate in  
the Republic of Vanuatu  
First Respondent

AND:

DIRECT LIMITED and LOTIM  
LIMITED being the current  
nominee office holders of Benford  
Limited C/- International Building,  
Kumul Highway, Port Vila, Efate in  
the Republic of Vanuatu  
Second Respondents

FILED for the Applicant by JURIS OZOLS & ASSOCIATES  
Barristers & Solicitors

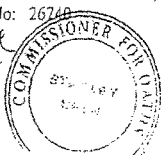
CG 006536

1st Floor, Lolam House, Kumul Highway  
PORT VILA, Vanuatu

Telephone No: 26744

Facsimile No: 26782

This is the annexure marked "m"  
referred to in the affidavit of Sue  
Phelps sworn before me this  
17<sup>th</sup> day of December 1999



3562

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CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

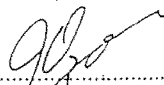
2

ORIGINATING SUMMONS  
[O.57, R.4]; [O.58, R.2]

LET ALL PARTIES CONCERNED ATTEND before Mr Justice Saksak in camera proceedings at the Supreme Court Building, Port Vila on Friday, the ~~10th~~ day of December, 1999 at ~~2 p.m.~~ in the afternoon on the hearing of an application on the part of Vanessa Phyllis Ann Clyde for the following Orders:

1. A declaration that the Applicant, Vanessa Phyllis Ann Clyde is the sole beneficial owner of Benford Limited and she is entitled to give instructions to Meldrew Limited to transfer the shares in Benford Limited as she directs.
2. That in support of this application, the Applicant be and is hereby entitled to rely upon all of the evidence adduced by the Plaintiff in Supreme Court Civil Case No. 85 of 1999 on the hearing of the Plaintiff's Originating Summons dated and filed 21 September 1999 in Supreme Court Civil Case No. 85 of 1999.
3. That Meldrew Limited comply with the instructions contained in the correspondence from Juris Ozols & Associates dated 22 September 1999, being part of Exhibit 10 tendered by the Plaintiff on the hearing of the Plaintiff's Originating Summons in Supreme Court Civil Case No. 85 of 1999.
4. Such further or other relief as this Honourable Court deems fit.
5. That the Respondents pay the costs of and incidental to this Summons.

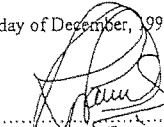
DATED the 3rd day of December, 1999

  
Counsel for the Applicant

This Originating Summons was taken out by Juris Ozols & Associates, Counsel for the abovenamed Applicant, whose address is 1st Floor, Lolam House, Kumul Highway, Port Vila, Efate in the Republic of Vanuatu.

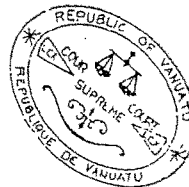
NOTE: The Defendants may appear hereto by entering appearance either personally or by advocate at the Registry.

FILED at Port Vila this 3rd day of December, 1999

  
Ms Rita Bill Naviti  
Chief Registrar

CG 006537

This is the annexure marked "A" referred to in the affidavit of Sue Phelps sworn before me this 17th day of December 1999



3563



## European Bank Limited

International Building,  
P O Box 65,  
Port Vila, Vanuatu  
Southwest Pacific

"H"

Telephone: (678) 27700  
Fax : (678) 22384  
Telex : (771) 55023 EURTRUST NH  
Email : info@europeanbank.net

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SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

### INTEREST BEARING DEPOSIT CONFIRMATION

Our Ref: DEP99-96

BENFORD LTD  
P.O. BOX 45  
PORT VILA

09 December 1999

ACCOUNT NO:	8901-116101-0106
DEPOSIT AMOUNT:	USD 7,428,720.52
VALUE DATE:	13 December, 1999
INTEREST RATE:	5.35%
MATURITY DATE:	13 January 2000
INTEREST ON MATURITY:	USD 34,223.70

Dear Madam/Sir,

We are pleased to confirm that we have renewed your deposit as per your instruction

Interest accrued will be credited as per your instructions after the maturity date.

Disposal/Renewal instructions must reach us 2 business days before maturity date. In the absence of your instructions we will automatically renew your deposit for a similar term.

If you have any questions regarding your investment, please do not hesitate to contact us.

\_\_\_\_\_  
Authorised Signatory

\_\_\_\_\_  
Authorised Signatory

This is the annexure marked "H"  
referred to in the affidavit of Sue  
Phelps sworn before me this  
17<sup>th</sup> day of December 1999



CG 006531

3564



## European Bank Limited

International Building,  
P O Box 65,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone: (678) 21700  
Fax : (678) 22884  
Telex : (771) 55023 EURTRUST NH  
Email : info@europeanbank.net

8746

### Facsimile Message

TO : Linda  
COMPANY : Citibank Ltd, Sydney, Australia  
FROM : Mayline Lulu

FAX NO: 612 9239 9690  
REF/DATE: EUB/09-12-99  
PAGE NO: 1/1

Our Ref: PLA99-126 AMENDMENT

With reference to our telephone call (Jean/Linda) of today.

We confirm the following placing with you:

Amount : USD 7,651,860.13

Period : 36 days.

Value : 13 December 1999

Maturity : 18<sup>th</sup> January 2000

Interest rate : 6.0625 % pa

Settlement by us from (and to, by you on maturity) :

Roll-over existing placing principal plus interest.

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SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

Settlement to us by you to:

We look forward to receiving your confirmation advice.

Yours sincerely,

\_\_\_\_\_  
Authorized Signatory

\_\_\_\_\_  
Authorized Signatory

CG 006534

This is the annexure marked "K"  
referred to in the affidavit of Sue  
Phelps sworn before me this  
17<sup>th</sup> day of December 1999



TRANSMITTED BY FAX  
ON 13 DEC 1999 11:11

9-42

Fax from :



# European Bank Limited

International Building,  
P O Box 65,  
Port Vila,  
Vanuatu

Telephone : (678) 47700  
Fax : (678) 42244  
Email : [Secur@Europeanbank.com](mailto:Secur@Europeanbank.com)  
Web : [www.europeanbank.com](http://www.europeanbank.com)

☐ A/C PLANS  
☐ CODE II CAC  
☐ DIRECT  
☐ MARKETING  
☒ LEGAL  
☐ NEWS

## Facsimile Message

TO: Chris Moore  
COMPANY: Citibank N.A.  
FROM: Tom Bayer

FAX NO: (61-2) 9239-4760  
REF/DATE: EUB 10 Dec 99  
PAGE NO: 1 of 8

Dear Chris:

Re: Deposit of US\$7,399,727.97 due 13 Dec 99, and interest due thereon of \$28,992.55.

I think it appropriate to put you on notice in respect of the above deposit. Although monies are fungible, the above amount may be considered to be an amount deposited with us by a Vanuatu company called Benford Limited.

On Friday, 28 May (our time) we received the faxed copy of the attached letter from Maples and Calder.

On 28 May we appraised Benford Limited of the contents of the Maples and Calder letter and received in return their letter to us which is also attached.

On the next business day, Monday the 31<sup>st</sup> of May we wrote to the Commissioner of Police advising him of the position, as required by the Serious Crimes Act (copy attached).

The matter has been before the courts of Vanuatu, with freezes first ordered under a Civil Case No. 8 of 1999 last August.

The Public Prosecutor ultimately felt it had sufficient evidence to proceed with a criminal case and last week obtained a freeze order under the provisions of the Serious Crimes Act. This freeze order is to remain in place until such time that the true nature of the funds is established and a conviction is either obtained or not.

We are not under any restriction other than to not accept any instructions from Benford Limited as to the disposition of the money. We of course will not be distributing the funds to anyone without the direction of the Vanuatu Supreme Court.

Unfortunately for your bank, it has not been the high bidder for this deposit upon rollover and I confirm our request that you follow our instruction to transfer the funds to Westpac Banking Corporation for the credit of their Port Vila branch, for the further credit of ourselves (copy enclosed).

I assure you that the decision to move the funds has been purely a commercial one and not one driven by any hidden agenda. We will continue to favour Citibank whenever possible in support of our relationship with your bank which we value greatly.

Kindest regards,

*Tom Bayer*  
Thomas M. Bayer  
Executive Chairman

*Discussed with TCC. we should keep  
fund if poss. we agree to move to CIB  
this. May improve rate of 6.00% for 3  
days. Sign will be returned tomorrow*

CG 004810

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ONLY

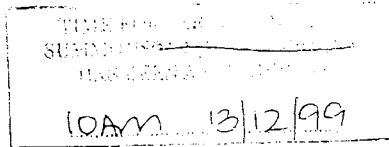
3566

Fax sent by : 61 2 92394760

CITIBANK

15/12/99 11:00 Pg: 0/23

61 2 92394760



ATTENTION :  
TOM O'COLLAMAN,  
CITIBANK,  
LEGAL COUNSEL

IN THE SUPREME COURT OF  
NEW SOUTH WALES  
SYDNEY REGISTRY  
EQUITY DIVISION

Form 7  
[Pt 5 r4B]

No. 4995 of 1999

J.K. PUBLICATIONS INC.  
Third Defendant

MJD SERVICE CORP.  
Fourth Defendant

**SUMMONS**

TAL SERVICES INC.  
Fifth Defendant

Filed for  
ROBB EVANS of ROBB EVANS  
& ASSOCIATES

KENNETH TAVES  
Sixth Defendant

ROBB EVANS of ROBB EVANS  
& ASSOCIATES as Receiver over  
J.K. Publications, Inc., MJD  
Service Corp., TAL Services, Inc.  
and their affiliates and  
subsidiaries, and as Receiver over  
the assets of Kenneth Taves and  
Teresa Taves, of 11450 Sheldon  
Street Sun Valley, California  
91352, United States of America.  
Plaintiff

TERESA TAVES  
Seventh Defendant

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SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

CITIBANK LIMITED  
First Defendant

BENFORD LIMITED an  
international company  
incorporated pursuant to the  
Vanuatu International Companies  
Act 1992 and having its registered  
office at International Building,  
Kumul Highway, Port Vila, Efate in  
the Republic of Vanuatu  
Second Defendant

DEACONS GRAHAM & JAMES  
Lawyers  
Gold Fields House  
Circular Quay  
SYDNEY NSW 2000  
DX 368  
TEL: 9330 8000  
FAX: 9330 8111  
Ref: DR:TGP

CG 006230

3567

Fax sent by : 61 2 92394760

CITIBANK 1

15/12/99 11:00 Pg: 9/23

61 2 92394760

- 2 -

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SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

The plaintiff moves the Court for the following orders:

1. An order restraining each of the defendants from encumbering, selling, dissipating, disbursing, assigning, spending, withdrawing or otherwise disposing of any of the Funds (being monies deposited with Citibank Limited in Sydney by or on behalf of any of the second to seventh defendants, including but not limited to any monies deposited with the first defendant which were transferred from European Bank Limited in Vanuatu from accounts held in the name on the second defendant (the "Funds") ) in the State of New South Wales until further order.
2. An order that each of the defendants transfer to the plaintiff any of the Funds held by any of them.
3. Damages.
4. Such further order or other order as the Court thinks fit.
5. Interest.
6. Costs.

To the first defendant Citibank Limited, the second defendant Benford Limited, the third defendant J.K. Publication Inc, the fourth defendant MJD Service Corp, the fifth defendant TAL Services Inc, the sixth defendant Kenneth Taves and the seventh defendant Terresa Taves.

If there is no attendance before the Court by you or by your counsel or solicitor at the time and place specified below, the proceedings may be heard and you will be liable to suffer judgment or an order against you in your absence.

Before any attendance at that time you must enter an appearance in the Registry.

Time: 10AM 14/12/99

Place: Supreme Court of New South Wales  
Queens Square  
Sydney NSW 2000

CG 006231

NOTE:

The plaintiff's statement, in summary form, of the nature of the dispute, the issues which the plaintiff believes are likely to arise, the plaintiff's contentions, and the questions (if any) that the

3568

Fax sent by : 61 2 92394768

CITIBANK

15/12/99 11:00 Pg: 18/23

61 2 92394768

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SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

- 3 -

plaintiff considers are appropriate to be referred to a referee for inquiry and report are set out below.

At the time and place specified above, you will be required to inform the Court:

- (a) whether or not you are in agreement with the plaintiff's statement of the nature of the dispute and of the issues likely to arise;
- (b) if you do not agree, what you believe to be the nature of the dispute and the issues likely to arise;
- (c) which of the plaintiff's contentions is contested;
- (d) what your contentions are in relation to the dispute;
- (e) what questions (if any) you consider are appropriate to be referred to a referee for inquiry and report;
- (f) whether or not you wish to cross-claim against any other person (whether a party or not) and of the substance of any such cross-claim; and
- (g) whether the dispute is or will be suitable for mediation, neutral evaluation or other alternative dispute resolution procedure and whether you consent to referral for mediation or neutral evaluation.

At the time stated the proceedings will be before the Court for directions.

Plaintiff: **ROBB EVANS of ROBB EVANS & ASSOCIATES**  
as Receiver over J.K. Publications, Inc., MJD  
Service Corp., TAL Services, Inc., and their affiliates  
and subsidiaries, and as Receiver over the assets of  
Kenneth Taves and Teresa Taves, of 11450  
Sheldon Street Sun Valley, California 91352, United  
States of America

Plaintiff's Address for Service: C/- Deacons Graham & James  
Lawyers  
Gold Fields House  
Circular Quay  
SYDNEY NSW 2000  
DX 368 Sydney

Address of Registry: Supreme Court of New South Wales  
Queens Square  
Sydney NSW 2000

CG 006232



3569

Fax sent by : 61 2 92394760

CITIBANK A  
61 2 92394760

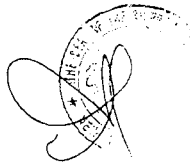
15/12/99 11:00 Pg: 11/23

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CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

- 4 -

*by his employed solicitor*  
*Timothy George Paker*  
Timothy George Paker  
Solicitor for the plaintiff

Filed:



10 DEC 1999

CG 006233

Form 49  
[Pt 38 r2]

No: 4949 . of 1999

Deponent: Douglas Edmund  
Raftesath  
Sworn: 10 December 1999.

**BENFORD LIMITED** an international company incorporated pursuant to the Vanuatu International Companies Act 1992 and having its registered office at International Building, Kumul Highway, Port Vila, Efate in the Republic of Vanuatu

J.K. PUBLICATIONS, INC.  
Third Defendant

TAL SERVICES INC.  
Fifth Defendant

**ROBB EVANS of ROBB EVANS & ASSOCIATES** as Receiver over J.K. Publications, Inc., MJD Service Corp., TAL Services, Inc., and their affiliates and subsidiaries, and as Receiver over the assets of Kenneth Taves and Teresa Taves, of 11450 Sheldon Street Sun Valley, California 91352, United States of America  
**Plaintiff**

DEACONS GRAHAM & JAMES  
Lawyers  
Gold Fields House  
Circular Quay  
SYDNEY NSW 2000  
DX 368  
TEL: 9330 8000  
FAX: 9330 8111  
Ref: DR:TGP

CG 006236

4/11/57 Kelp Bay Project

3571

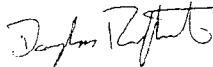
- 2 -

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CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

On the 10Th day of December 1999, I, DOUGLAS EDMUND RAFTESATH of Gold Fields House, Circular Quay, Sydney in the State of New South Wales, solicitor, say on oath:

1. I am a solicitor in the employ of Deacons Graham & James, Lawyers and have the conduct of this matter under the supervision of Tim Peken, a partner of the firm.
2. We have recently been retained by Mr Robb Evans of Robb Evans & Associates, the Receiver appointed to J.K. Publications, Inc. in the United States of America and other related companies.
3. I have been informed and verily believe that on or about 6 January 1999 Robb Evans was appointed the Temporary Receiver over J.K. Publications, Inc. and other companies by the United States of America District Court, Central District of California, Western Division in proceedings No. 99-00044.
4. I have also been informed and verily believe that Robb Evans and Robb Evans & Associates were appointed as permanent Receiver to various companies, including J.K. Publications, Inc. in March 1999.
5. Annexed hereto and marked "A" is a copy of a temporary restraining order issued by the United States District Court for the Central District of California, Western Division dated 6 January 1999.
6. Annexed hereto and marked "B" is a copy of an order of preliminary injunction granted by the United States District Court for the Central District of California, Western Division in the proceedings.
7. Annexed hereto and marked "C" is a copy of an affidavit of Robb Evans sworn 20 August 1999 in Supreme Court proceedings in the Republic of Vanuatu, being Civil Case No. 85 of 1999 together with a copy of a report prepared by Robb Evans dated 4 August 1999. Attached to the report is a flow diagram showing how the defendants (other than Citibank) have moved moneys, the subject of the Receivership to which Robb Evans has been appointed around the world.
8. Annexed hereto and marked "D" is a copy of an affidavit of Robb Evans sworn December 1999 together with the declaration of Mr Brick Kane which is an annexure to the affidavit.

CG 006237



10 December 1999

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CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

- 3 -

9. Annexed hereto and marked "E" is a copy of an interest bearing deposit confirmation from European Bank Limited dated 12 October 1999.
10. Annexed hereto and marked "F" is a copy of an ex parte summons filed in the Supreme Court of the Republic of Vanuatu in Civil Case No. 85 of 1999 dated 25 August 1999, together with interim orders dated 25 August 1999, originating summons dated 21 September 1999.
11. Annexed hereto and marked "G" is a copy of a facsimile from Robb Evans to Citibank Limited dated 30 November 1999.
12. I am informed and verily believe that the plaintiff is of the opinion that there is a good chance that the moneys referred to in the interest bearing deposit confirmation dated 12 October 1999 are still deposited at Citibank Limited and that such monies should be in the control and possession of the Receiver.
13. I am informed by Mr Mark Hurley, a partner of the firm George Versaris & Co, Barristers and Solicitors in Vanuatu that whilst Robb Evans was successful in obtaining orders to freeze relevant accounts held by the European Bank in Vanuatu, the funds in the accounts had already been transferred before the orders could be carried out. In view of the above, I verily believe that there is significant urgency in this matter as given the previous dealings of certain of the defendants, there is a real risk that any moneys held by Citibank on behalf of the other defendants may be transferred out of Citibank's accounts.

SWORN at Sydney  
before me:

Deponent

Justice of the Peace/A Solicitor of the Supreme  
Court holding a current practising certificate in  
New South Wales

ELLIOT ALEXANDER JAMES HYDE  
SOLICITOR  
DEACONS GRAHAM & JAMES  
GOLD FIELDS HOUSE  
CIRCULAR QUAY  
SYDNEY AUSTRALIA

CG 006238

3573



## European Bank Limited

International Building,  
P O Box 65,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone: (678) 27700  
Fax : (678) 22884  
Telex : (771) 55023 EURTRUSTNH  
Email : info@europeanbank.net

### Facsimile Message

TO : Linda  
COMPANY : Citibank Ltd, Sydney, Australia  
FROM : Mayline Lulu

FAX NO: 612 9239 9690  
REF/DATE: EUB/13-12-99  
PAGE NO: 1 / 1

Our Ref: PLA99-126 AMENDMENT

With reference to our telephone call (Jean/Linda) of today.

We confirm the following placing with you:

Amount : USD 7,651,860.13

Period : 36 days

Value : 13 December 1999

Maturity : 18 January 2000

Interest rate : 6.0625 % pa

Settlement by us from (and to, by you on maturity) :

Roll-over existing placing principal plus interest.

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CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

Settlements to us by you to:

We look forward to receiving your confirmation advice.

Yours sincerely,

\_\_\_\_\_  
Authorised Signatory

\_\_\_\_\_  
Authorised Signatory

This is the annexure marked "L"  
referred to in the affidavit of Sue  
Pheips sworn before me this  
17<sup>th</sup> day of December 1999



CG 006535

3574



## European Bank Limited

International Building,  
P O Box 65,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone: (678) 27700  
Fax : (678) 22884  
Telex : (771) 55023 EURTRUST NH  
Email : Security@Europeanbank.net

### Facsimile Message

TO: Chris Moore  
COMPANY: Citibank Sydney  
FROM: Thomas M. Bayer

FAX NO: (612) 9239-4760  
REF/DATE: EUB 15 Dec99  
PAGE NO: 1 of 8

15 December 1999

Dear Chris:

I have received copies of the various court documents from Baker & McKenzie. I am particularly outraged at the Affidavit of the Solicitor from Deacons, in particular his point 13 in which he states that he believed that Mr. Evans was able to obtain a court freeze in Vanuatu but it was too late and the money had already fled the jurisdiction and unless they could get a freeze in Sydney there was a good chance, considering the defendants, that the money would escape again.

Our Public Prosecutor nearly went through the roof when reading that Affidavit. In the first week of December, Mr. Evans was in Vila trying every trick in the book to block the Public Prosecutor from getting a second freeze on the funds.

The first freeze was 28 July in Company Case 08 of 99. That was our application. A copy follows. In August Evans's local Solicitors obtained a freeze order in a new Civil Case 85 of 99, against Benford, but not European Bank. They then discovered the monies had already been frozen for over a month.

In early December Evans came back to contest the Public Prosecutor's attempts to get an Order under the Serious Crimes Act. He failed. He then had Vanessa Clyde, who is assisting Evans, file a new action, Company Case 14 of 99. The intent in all these actions was to block the government's freeze and to remove the Company court freeze so he could force the monies to be sent to the USA. In Case 14 of 99 Vanessa Clyde was represented by Mark Hurley on the very day of the Affidavit was sworn in Australia saying the reverse.

There will be an Affidavit filed by our Attorney General's dept. in the court in Sydney on Friday reflecting the above and advising the court that the matter has long been before the Vanuatu courts and the money long frozen. Evans is attempting to interplead from another jurisdiction. The Attorney General here has also demanded that Hurley immediately inform the NSW Court of the true position.

The monies have never "fled the jurisdiction". They have always been on deposit in US\$ with European Bank and nowhere else. European Bank has placed the funds in various banks to get the best return.

I was quite surprised to see the internal confirmation from EUB to Benford among the exhibits to the Affidavit lodged in Sydney. It was an incorrect Confirmation, as it cited the wrong deposit number and should not have cited where the funds were ultimately placed. An Amended Confirmation was issued the next day (but not included in the Affidavit in Sydney). The Amended Confirmation and the next two Confirmations are attached for your knowledge.

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CG 004686

3575

PAGE 2 OF 2

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ONLY

You will note that the current deposit with you is US\$223,139.61 more than the deposit of Benford with EUB. That is because the deposit with you includes funds that are not Benfords. You will also notice the tenor is different.

I see from the Summon and Notice of Motion that they wanted Citibank to disclose all monies you hold for any of the defendants. In the case of Benford, you do not hold any as you have no contractual relation to Benford. I can assure you that Benford does not hold any accounts with Citibank anywhere in the world. I don't know how you can check about the other defendants as to whether they hold accounts with Citibank. As there was no Order to disclose, it is academic at this point in time, but I thought I would tell you Benford's situation in case you need that information in due course.

As you can imagine, I am most upset at the inference that EUB has somehow violated the freeze by placing funds with you (Evans is a retired Bank of America Exec. and fully understand how banking works), and that we are not to be trusted as we may spirit away the funds.

Although time is very short and there is difficulty in getting documents to Australia by Friday (after the flight today, there is no further flight to Australia from here that will get there before the court case), there will hopefully enough evidence lead to have the matter dismissed.

If there is any thing you would like to have in your EUB file on this matter, let me know. We will provide you with everything we have. Locally EUB has been perceived as being the bank that uncovered the suspicious transactions and took all the right steps to assist the authorities. Now in Australia we are being cast as money launderers and probable accomplices. I fear the Australian authorities would like to believe that.

Kind regards,

  
Thomas M. Bayer  
Executive Chairman

ENCLOSURE\EUB\CM1335mbf.bnc.wpd

CG 004687

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Form 49  
P 38 r2

IN THE SUPREME COURT  
OF NEW SOUTH WALES  
SYDNEY REGISTRY  
EQUITY DIVISION

4999 of 1999

**AFFIDAVIT**

Deponent: Christopher  
Schofield Moore

Date:

Filed for  
Citibank Limited

ROBB EVANS of ROBB EVANS  
& ASSOCIATES as Receiver  
over J.K. Publications, Inc.,  
MJD Service Corp., TAL  
Services, Inc., and their  
affiliates and subsidiaries, and  
as Receiver over the assets of  
Kenneth Taves and Teresa  
Taves, of 11450 Sheldon  
Street Sun Valley, California  
91352, United States of  
America

Plaintiff

**CITIBANK LIMITED**

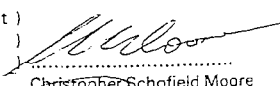
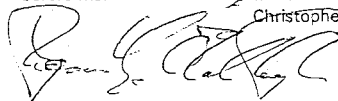
First Defendant

On <sup>16</sup> December 1999 I, Christopher Schofield Moore, of  
Margaret Street, Sydney in the State of New South  
Wales, Vice-President, say on oath:

1. I am a vice-president of Citibank Limited and I am  
authorised to swear this affidavit on its behalf.
2. My present responsibilities include managing the  
relationship between Citibank Limited and  
European Bank Limited.
3. Apart from a deposit of \$7,593,532.48, the  
subject of injunctive orders made by this  
Honourable Court, received from the eighth  
defendant on 20 October 1999, without any  
knowledge as to whether that deposit was made  
by the eighth defendant on behalf of any person  
(corporate or individual), the first defendant has,  
to its knowledge, no other deposits held by it in  
Sydney for or on behalf of the second to seventh  
defendants.

DIBBS CROWTHER &  
OSBORNE  
Solicitors  
50 Carrington Street  
SYDNEY NSW 2000  
DX 101 Sydney  
Phone: (02) 9290 8200  
Bulk User No 80  
Ref: EJH/DJK/new

SWORN by the Deponent )  
at Sydney  
before me:

  
Christopher Schofield Moore  
  
Solicitor/Justice of the Peace



3577

- 2 -

BENFORD LIMITED an  
international company  
incorporated pursuant to the  
Vanuatu International  
Companies Act 1992 and  
having its registered office at  
International Building, Kumul  
Highway, Port Vila, Efate in the  
Republic of Vanuatu  
Second Defendant

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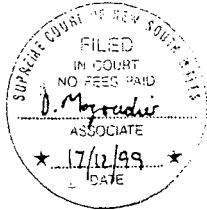
J.K. PUBLICATIONS, INC.  
Third Defendant

MJD SERVICE CORP.  
Fourth Defendant

TAL SERVICES INC.  
Fifth Defendant

KENNETH TAVES  
Sixth Defendant

3578



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Form 49  
[Pt 38 r2]

IN THE SUPREME COURT OF  
NEW SOUTH WALES  
SYDNEY REGISTRY  
EQUITY DIVISION

No: 4999 of 1999

**AFFIDAVIT**

Deponent: **Douglas Edmund  
Raffesath**  
Sworn: 17 December 1999

Filed for  
**ROBB EVANS of ROBB EVANS  
& ASSOCIATES**

**ROBB EVANS of ROBB EVANS  
& ASSOCIATES** as Receiver over  
J.K. Publications, Inc., MJD  
Service Corp., TAL Services, Inc.,  
and their affiliates and  
subsidiaries, and as Receiver over  
the assets of Kenneth Taves and  
Teresa Taves, of 11450 Sheldon  
Street Sun Valley, California  
91352, United States of America  
Plaintiff

**CITIBANK LIMITED**  
First Defendant

**BENFORD LIMITED** an international company  
incorporated pursuant to the Vanuatu  
International Companies Act 1992 and having its  
registered office at International Building, Kumul  
Highway, Port Vila, Efate in the Republic of  
Vanuatu

Second Defendant

**J.K. PUBLICATIONS, INC.**  
Third Defendant

**MJD SERVICE CORP.**  
Fourth Defendant

**TAL SERVICES INC.**  
Fifth Defendant

**KENNETH TAVES**  
Sixth Defendant

**TERESA TAVES**  
Seventh Defendant

**EUROPEAN BANK LIMITED**  
Eighth Defendant

**DEACONS GRAHAM & JAMES**  
Lawyers  
Gold Fields House  
Circular Quay  
SYDNEY NSW 2000  
DX 368  
TEL: 9330 8000  
FAX: 9330 8111  
Ref: DR:TGP

BULK USER NO. 310

CG 006367

On the 17 day of December 1999, I, DOUGLAS EDMUND RAFTESATH of Gold Fields House, Circular Quay, Sydney in the State of New South Wales, solicitor, say on oath:

1. I am a solicitor in the employ of Deacons Graham & James, Lawyers and have the conduct of this matter under the supervision of Tim Peken, a partner of the firm.
2. Annexed hereto and marked "A" is a copy of a letter from Baker & McKenzie to Deacons Graham & James dated 17 December 1999. Annexed hereto and marked "B" is a copy of a letter in reply from Deacons Graham & James to Baker & McKenzie dated 17 December 1999.
3. On 16 December 1999, at approximately 4.00 pm I had a telephone conversation with Mr Mark Hurley, a partner of the firm George Vassarlis & Co, barristers and solicitors, in Vanuatu in relation to the history of the various proceedings which have been conducted in the Republic of Vanuatu which relate to the moneys, the subject of these proceedings.
4. Mr Hurley informed me of the following:
  - (a) On 28 July 1999, European Bank Limited ("EBL") filed proceedings in the Supreme Court of the Republic of Vanuatu, being Company Case no 8 of 1999, seeking orders pursuant to the Serious Offences (Confiscation of Proceeds) Act and the Vanuatu International Companies Act. An affidavit sworn by Mr Tom Bayer on 28 July 1999 was filed in support of the application.
  - (b) It is apparent from the document annexed and marked "M" to Mr Bayer's affidavit sworn 28 July 1999 that from as early as May 1999, EBL was aware of allegations in relation to the source of moneys held by Benford Limited and that "the Receiver is asserting proprietary claims over any funds originating from the alleged fraud, and he may take steps to trace and recover those funds from the ultimate recipients".
  - (c) I have been informed by Mr Hurley that the application sought orders that the officers of EBL be authorised and required to divulge business and financial information in relation to Benford Limited (the second defendant in these proceedings) to the police and other law enforcement agencies of the Government of the Republic of Vanuatu and that Orders were sought to restrain the bank from releasing or otherwise dealing with any of the funds which it held on behalf of Benford Limited.

CG 006368

*1 u/s* *Douglas Raftesath*

- (d) On 28 July 1999 the Supreme Court of the Republic of Vanuatu made orders in accordance with the application referred to in the preceding paragraph. Those orders remain in force.
- (e) On 25 August 1999 Robb Evans of Robb Evans & Associates commenced proceedings by way of ex parte summons in the Supreme Court of the Republic of Vanuatu, being civil case no 85 of 1999, seeking orders that Benford Limited be restrained from dealing with monies on deposit with EBL. Orders to this effect were made on 25 August 1999. Those orders remain in force.
- (f) A dispute arose as to who represented Benford Limited in the proceedings. There were a number of conferences and adjournments whilst steps were taken to try to ascertain who represented Benford Limited. On the one hand, the nominee office holders attempted to appear on behalf of Benford Limited. On the other hand, Ms Vanessa Phyllis Ann Clyde, who claims beneficial ownership of Benford Limited, attempted to appear on behalf of Benford Limited.
- (g) On 21 September 1999, Mr Hurley, on behalf of Robb Evans & Associates, filed an Originating Summons in the Supreme Court of the Republic of Vanuatu, proceedings no 85 of 1999, seeking a declaration that Robb Evans of Robb Evans & Associates was entitled to receive and to give to EBL a discharge for the receipt of all moneys standing in the account in the name of Benford Limited.
- (h) On 22 September 1999, the judge presiding in the Supreme Court of the Republic of Vanuatu agreed to hear submissions on the beneficial ownership of Benford Limited.
- (i) Mr Ishmael Kalsakau of Counsel appeared on behalf of the nominee office holders on 22 September 1999 in support of his client's claim to represent Benford Limited. The nominee office holders did not file any affidavit evidence prior to that hearing on 22 September 1999. A written judgment was handed down on 27 September 1999 in which the judge held that the identity of the beneficial owner was to be decided following the hearing of Robb Evans' Originating Summons filed on 21 September 1999.
- (j) The issue of the control of Benford Limited has still not been resolved. Ms Clyde has filed an Originating Summons dated 3 December 1999 seeking declaratory relief that

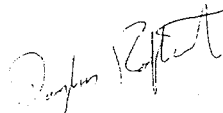
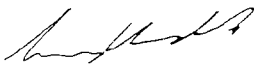
CG 006369

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- 4 -

she is the sole beneficial owner of Benford Limited and consequential relief. That Originating Summons will in likelihood not be listed for hearing until some time in 2000.

- (k) On 23 September 1999, the Public Prosecutor of the Republic of Vanuatu filed an application for a restraining order in relation to the moneys deposited in the account of Benford Limited and held by EBL. That application was eventually listed for hearing on 2 December 1999. Mr Robb Evans of Robb Evans & Associates was present in Vanuatu on 2 December 1999. However, the hearing was held ex parte and on 2 December 1999, despite an application for the proceedings to be inter partes, Robb Evans as receiver, was not permitted to appear in the proceedings because the judge ruled that there was no provision in the Serious Offices (Confiscation of Proceeds) Act for a party claiming beneficial ownership of the funds to interplead under that Act. Due to the unresolved issue of beneficial ownership of Benford Limited, Benford Limited was unrepresented during the ex parte hearing of the Public Prosecutor's application. The Public Prosecutor obtained a restraining order in respect of the monies the subject of these proceedings. That order remains in force.
- (l) The Originating Summons filed on 21 September 1999 by Robb Evans of Robb Evans & Associates was heard on 29 November 1999. At the hearing, Mr Robb Evans gave evidence however, the final determination of the matter has been held up as a result of the ex parte restraining order obtained by the Public Prosecutor.
5. I note that the restraining order obtained by the Public Prosecutor on 2 December 1999 was obtained after the monies the subject of the order had been deposited with Citibank Limited in Sydney. Indeed, it now appears from EBL's documents which EBL disclosed for



CG 006370

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- 5 -

the first time in the Vanuatu legal proceedings in November 1999, that the moneys were already deposited with Citibank in Sydney well over a month before the Public Prosecutor obtained the restraining order on 2 December 1999.

SWORN at *Sydney*  
before me: )

*Douglas R. Cottrell*  
Deponent

*[Signature]*  
Justice of the Peace/A Solicitor of the Supreme  
Court holding a current practising certificate in  
New South Wales

*Emma Louise Rose Newbould*  
*Gold Ficus House*  
*Circular Quay*  
*Sydney*

CG 006371

REPORT DATE: 10/01/99	ACCOUNT: 3617-1746	STATEMENT	MIN DATE: 10/01/99	TIME	05:32
ACCOUNT NAME: EUROPEAN BANK, LTD.			PAGE	58	
REFERENCE W/					
DATE	BATCH	TRACK TRANSACTION DESCRIPTION	DEBITS	CREDITS	CURRENT BALANCE
09/17/99	39926005115	SAME DAY DR TRANSFER DETAILS: OUR REF NUM: LCK9260040700 FUNDING BANK: 650000000262	1,000.00		422,327.52
Redacted Information in Subcommittee Files					
09/20/99	29926005119	SAME DAY CR TRANSFER DETAILS: OUR REF NUM: 609726009101 MONEY MARKET MATURITY YIELD: 0.000000000000 OTHER REF: 0149261005 ORDER PARTY: CITIAUXZ DEBIT PARTY: 36125294 CITIBANK NA SYDNEY BRANCH OF FSHORE		7,561,082.83	7,983,410.35
09/20/99	39926005124	SAME DAY DR TRANSFER DETAILS: OUR REF NUM: LCK92600512600 B/D EUROPEAN BANK LIMITED /INT/PLEASE SEND MT100 ADVICE TO //ANZ BANK VANU ATU LTD //ATTN: MERRILYN OTHER REF: C01100000004779 BENEFICIARY: EUROPEAN BANK LIMITED ORDER PARTY: ATU CREDIT PARTY: 0991 AUSTRALIA AND NEW ZEALAND ORDER BANK: EUROPEAN BANK LTD FORT VILA VANUATU	7,561,082.83		422,327.52
09/20/99	39926005120	SAME DAY DR TRANSFER DETAILS: OUR REF NUM: LCK92610004100	200,000.00		222,327.52
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CG 000194					

Run Date: 23-May-00 Run Time: 6:16 PM	Page: 1 User Name: LCM
--	---------------------------

SNO DATE: 990920 ADV: SWF SNO DATE: 990920 ADV: SWF	TYP: FTR CUR: USD LOC:
--	------------------------------

DITT: P0008 ACC: G000004200022 REF: 111 WALL STREET, 22ND FLR ZONEL CTD BANK NEW YORK, N. Y. 10043	ON FILE: Y CTRY:
--	---------------------

SEND: SNDR REF NUM: LCK92600632600 ORIG BANK: [REDACTED] REF NUM: ORIG: EUROPEAN BANK LIMITED PORT VILA, VANUATU REF NUM:	ON FILE: Y CTRY:
---	---------------------

BANK TO BANK INFO: /BN/INT/PLEASE SEND MT100 ADVICE TO //ANZ BANK VANUATU LTD //ATTN: MERGLYN	CDT: D00000000103 ACC: D00000000103 REF: 02 ANZ RUE HIGGINSON VILA VANUATU BNP BANK: [REDACTED] EUROPEAN BANK LIMITED ORIG TO BNF INFO: BAO EUROPEAN BANK LIMITED
--	--

Redacted Information  
 in Subcommittee Files

Redacted Information  
in Subcommittee Files



3585

DATE/TIME 09 22 99 07:44:12  
OPERATOR 01M

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REP : 0509265050 VERSION 00001 TYPE : 001 CUP : 000 OSN : 0000 H-OSN : 0000  
NOT TRM TIME 07:41:08 CC-IN : 01M CC-AU : TM-IN : TM-AU :  
.....

ICZC SWA0000

NYDUB

SYDCCDCB

TEST AMT 7561382

FM CITIBANK LTD AUSTRALIA A.C.N. 004325080

12 SEP 99

ATTN: INVESTIGATIONS DEPARTMENT. RE REF CITI436-21SEP99.

RE OUR REQUEST FOR TRACE FOR PAYMENT DID LCK92600612600  
FOR USD 7,561,382.83.

BENEFICIARY HAS NOW ADVISED THE ORDERING PARTY THAT THEY HAVE  
RECEIVED FUNDS AFTER ALL.

PLEASE CLOSE THIS FILE.

THANKYOU FOR YOUR ASSISTANCE IN THIS MATTER.

REGARDS

DAVID MONT

CITISERVICE AUSTRALIA

REF 103967

NOON

IN AU  
MONT

CG 001076





3588

CLAIMS -- Transaction Display GINFOD CHACKE 31-MAR-00 11:13:40  
FTNTXN 1 DDA 0 query type GID txn number 1 category A

GID: C0092931158501 Adj :  
Val dt : 20-OCT-99 Db amt : 7,593,517.48/USD Status : FINAL  
Ins dt : 20-OCT-99 Cr amt : 7,593,517.48/USD Prc typ : CLEAN  
Rem ref: 991020002225 Rel ref: TT10207006 TXN typ : STD  
In src : CHIPS MOP : BOOK  
In ref : SSN 0116008 Out ref:  
DBT: C 0991 CDT: D 36121226  
AUSTRALIA AND NEW ZEALAND EUROPEAN BANK LTD  
INTERNATIONAL BUILDING  
KUMUL HIGHWAY  
PORT VILA VANUATU

RMOP:NOTSP RMOA:NOTSP MOA:NONE  
ORG: N N BNF:  
EUROPEAN BANK LTD

Orig to bnf :15.00 FEE DEDUCTED MOA:

Bank to bank:

DR:C0991 CR:D36121226  
No Db auth :N  
Verify ID :  
Bene charge :NONE Repair ID :  
OGE:S ANZBVUVX Bene amt :0.00/USD  
PAY:

INS: X 00001800001  
AUSTRALIA AND NEW ZEALAND  
BANKING GROUP LIMITED  
GPO BOX 537E  
MELBOURNE 3001, AUSTRALIA

MOA:  
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DISSEMINATION  
EXCEPT TO MEMBERS AND STAFF  
ONLY

MOA:

-----  
inquiry note:

action \_\_\_\_ p1 \_\_\_\_ p2 CHACKE045499589 \_\_\_\_ p3 \_\_\_\_

CG 000989

REPORT DATE 11/01/99 ACCOUNT 3612-1226 RULE OFF FROM 10/01/98 TO 10/31/99 RUN DATE 10/30/99 TIME 04.52  
ACCOUNT NAME - EUROPEAN BANK, LTD. STAFFMENT PAGE 57

DATE	BATCH	TRACK	TRANSACTION DESCRIPTION	DEBITS	CREDITS	LEDGER BALANCE
10/21/99	39929405662	IMMEDIATE FUNDS DR		20.00		7,647,574.23
	000001430844	OUR REF NUM: J				
		DETAILS: C				
		1				
		2				
		3				
		4				
		5				
		6				
		7				
		8				
		9				
		0				
			YOUR REF: S			
10/21/99	39929405663	IMMEDIATE FUNDS		20.00		7,647,554.23
	000001430844	OUR REF NUM: J				
		DETAILS: C				
		1				
		2				
		3				
		4				
		5				
		6				
		7				
		8				
		9				
		0				
			YOUR REF: S			
10/22/99	39929505670	SAME DAY DR TRANSFER		7,593,332.48		254,021.75
	650000000262	OUR REF NUM: LCK92947356900				
		DETAILS: B/O EUROPEAN BANK LIMITED /BNF/SETTLE				
		MENT OF PLACING //ATTN: LINDA //PLEAS				
		E APPLY WITH GOOD VALUE //20/10/99				
		OTHER REF: C39929405662				
		ORDER PARTY: EUROPEAN BANK LIMITED PORT VILA, VANU				
		ATU				
		CREDIT PARTY: 36125294 C111BANK NA SYDNEY BRANCH OF				
		FSHORE				
		ORDER BANK: EUROPEAN BANK LTD PORT VILA VANUAU				
10/22/99	39929505660	SAME DAY DR TRANSFER		100,270.27		153,751.48
	650000000262	OUR REF NUM: L				
		DETAILS: E				
		OTHER REF: C				
		ORDER PARTY: I				
		CREDIT PARTY: I				
		ORDER BANK: I				

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CG 000259

3590

CLAIMS -- Transaction Display GINFOD CHACKE 31-MAR-00 13:02:02  
FTNTXN 1 EDA 0  
\* links exist \* query type GID txn number 1 category A

GID: LCK92947196900 Adj :  
Val dt : 22-OCT-99 Db amt : 7,593,532.48/USD Status : FINAL  
Ins dt : 21-OCT-99 Cr amt : 7,593,532.48/USD Prc typ : CCM PD  
Rem ref: C011000000005402 Rel ref: TXN typ : STD  
In src : CT MOP : BOOK  
In ref : Out ref:  
DBT: D CDT: D  
EUROPEAN BANK LTD CITIBANK NA SYDNEY BRANCH OFFSHORE  
INTERNATIONAL BUILDING 1 MARGARET ST  
KUMUL HIGHWAY SYDNEY NSW 2000  
PORT VILA VANAUTU AUSTRALIA  
RMOP:BOOK RMOA:NONE MOA:TELEX  
ORG: N N BNF:  
EUROPEAN BANK LIMITED  
PORT VILA, VANUATU

Orig to bnf :B/O EUROPEAN BANK LIMITED MOA: Redacted Information  
in Subcommittee Files

Bank to bank:/BNF/SETTLEMENT OF PLACING //ATTN:  
LINDA //PLEASE APPLYWITH GOOD VALU  
E //20/10/99

DR:D36121226 CR:D36125294  
No Db auth :N Repair ID :  
Verify ID : Bene amt :0.00/USD  
Bene charge :NONE PAY:  
OG5:

INS: MOA:  
INT:

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MOA:

-----  
inquiry note:

action \_\_\_\_ p1 \_\_\_\_ p2 CHACKE045493330 \_\_\_\_ p3 \_\_\_\_

CG 000931

3591

DATE/TIME 29 10 27 37 25.5  
OPERATOR OGE

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BR: 102 REF 1509100018 TYPE: 999 TIME: 05:14:10 DATE: 29/10/27 STATUS:  
ROUTE : 1 38 002 TIME : 07:13:40 DATE : 27/10/99  
ROUTE : 2 TIME : DATE :  
ROUTE : 3 TIME : DATE :  
ACTV : OCTA : OGRE :  
.....

ICDC 802548 CBR2514 FOR2171 1587810  
SYDAA  
NYCSACH 262113 241558 261401  
TEST NR  
TO: CITIBANK NA SYDNEY BRANCH OFFSHORE

AUSTRALIA  
FROM: CITIBANK NY - NYCSA  
DATE: OCT 26 1999  
ATTN: DAVID HUNT REF 108715  
RE: PAYMENT ORDER TRN 0011000000005402  
FOR 7,593,512.48/USD  
VALUE 22-OCT-99  
GIDGID LCK92947196900  
REMITTED BY EUROPEAN BANK LTD  
INTERNATIONAL BUILDING  
KUMUL HIGHWAY  
PORT VILA VANUAUTU  
P/O CITIBANK NA SYDNEY BRANCH OFFSHORE  
1 MARGARET ST  
SYDNEY NSW 2000  
AUSTRALIA

GOOD VALUE IS BEING ARRANGED FROM 20-OCT-99 TO  
22-OCT-99 AND WILL BE REFLECTED ON  
YOUR MONTH-END STATEMENT.  
REGARDS,

MICHELLE MAGUIRE  
GLOBAL SERVICE CENTRE, DUBLIN IRELAND  
OUR REFERENCE CITI209-16OCT99  
+10261601 NYX  
+10261558 AP 0279477  
+10262113 CB FG75291  
NNNN

.....  
\* TESTWORD NOT RECD \*  
.....

*Don't agree  
with this*

CG 001086

3592

Citibank Limited  
ACV 004 123 080

Citibank Centre  
1 Margaret Street  
Sydney NSW 2000  
GPO Box 40  
Sydney NSW 1027

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CIRCULATION -  
SUE COMMITTEE MEMBERS AND STAFF  
ONLY

*Facsimile*

**CITIBANK**

*CITISERVICE AUSTRALIA*

To: European Bank Limited.  
Attn: Kely Ihrig.

Fax: 678 23405

From: David Hunt

Date: 04 January 2000.

Fax: 612 9239 3322

Re: INVESTIGATION ADVICE.

Phone: 612 9239 3565

No. of Pages (including cover): 2.

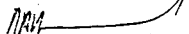
Re: USD 7,651,860.13 payment value 14 December 1999.

Dear Kely.

Please refer to the following page being a message from Citibank New York advising that the above payment has been cancelled. Payment will need to be re-effected from your end if applicable.

We now close our file.

Thankyou and regards,



David Hunt  
CitiService Australia  
Ref: 120194.

This facsimile transmission contains confidential information of Citibank Limited intended only for the use of the individual(s) named on the transmission sheet. If you are not the intended recipient, you are hereby notified that any disclosure, copying, distribution or the taking of any action in reliance on the contents of this facsimile transmission is strictly prohibited. If you have received this transmission in error, please notify us by telephone immediately so that we can arrange for the return of the documents to us at no cost to you.

CG 001107



3593

Client: EURBNK2 EUROPEAN BANK LTD\*INTERNATIONAL BUILDING PO BOX 65 PORT VILA  
 Fac: DEP 0001 01 DEPOSITS 3RD PARTIES  
 Currency : USD

LN	Principal	Maturity	Int% IS	Int Acc	Broker	Rate%	Vchr	CC
1207	[REDACTED]	30DEC99	5.230000MU	294.56			CE0356	23118
		ROLL P+I 1 AT CISO 20 OFF LOW						
1228	[REDACTED]	10JAN00	5.800000MU	194.49			CE1730	23118
1229	[REDACTED]	21DEC99	5.210000MU	28.01			CE2345	23118
1231	[REDACTED]	17DEC99	5.300000MU	2,791.40			CE1088	23118
1249	[REDACTED]	06JAN00	5.750000MU	287.53			CE1168	23118
1250	[REDACTED]	15DEC99	5.100000MU	170.38			CE2388	23118
		24 CALL ACCOUNT						
1251	[REDACTED]	10JAN00	5.780000MU	1,123.89			CE1558	23118
		1WK 25 OFF CISO LOW						

Redacted Information  
 in Subcommittee Files

\*\*\* Enter M(ore), Q(uit) or a Line no.  
 This client has no TFN

*Chris, USD outstanding?*

*what about AUD???*

*350*

*L.*

*(464)*

*→ chf*

*Aud Net Balance*

*Net out Bal. \$443,917.48*

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 ONLY

*\$413,147.44*

CG 004692

3594

Client: EURBNK2 EUROPEAN BANK LTD INTERNATIONAL BUILDING PO BOX 65 PORT VILA  
 Fac: DEP 0001 01 DEPOSITS 3RD PARTIES Last Line : 1254  
 Currency : USD

LN	Principal	Maturity	Int%	IS	Int Acc	Broker	Rate%	Vchr	CC
1252		22DEC99	5.270000	MU				CE2467	23118
		1wk depo cisd-25							
1253	7,651,860.13	18JAN00	6.062500	MU	2,577.19			CE2080	23713
		FROZEN FUNDS							
1254		20DEC99	5.270000	MU	73.19			CE2185	23118
	12,976,150.61				7,540.64				

Redacted Information  
 in Subcommittee Files

>>

Wertpapier Anleihe \$23470.51 } ✓  
 C&K Synd 5713.66 } NO  
 M&B Drawings 1530.03 } NO  
 FR 3775.85 ✓  
 7300.00 ✓  
 23584.91 ✓

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 ONLY

CG 004693

**Benford Limited**USD Term Deposit  
8901-116101-0206

Date	Debit	Credit	Balance	Reference No	Description
26-Feb-99		97,900.00	97,900.00	DEP99-04	New Deposit Maturing 5/03/99
5-Mar-99	-97,900.00	97,979.62	97,979.62	DEP99-04	Rollover Deposit Maturing 12/3/99
12-Mar-99	-97,979.62	98,061.92	98,061.92	DEP99-04	Rollover Deposit Maturing 19/3/99
19-Mar-99	-98,061.92	98,143.34	98,143.34	DEP99-04	Rollover Deposit Maturing 26/3/99
19-Mar-99		700,000.00	798,143.34	DEP99-07	New Deposit Maturing 26/03/99
19-Mar-99		700,000.00	1,498,143.34	DEP99-09	New Deposit Maturing 9/04/99
19-Mar-99		700,000.00	2,198,143.34	DEP99-10	New Deposit Maturing 16/04/99
19-Mar-99		700,000.00	2,898,143.34	DEP99-08	New Deposit Maturing 23/04/99
26-Mar-99	-700,000.00	684,684.72	2,882,828.06	DEP99-07	Rollover Deposit Maturing 30/04/99 less 15,900.56 to C/A
26-Mar-99	-98,143.34		2,784,684.72	DEP99-04	Deposit Matured and credited to current account
9-Apr-99	-700,000.00	701,755.83	2,786,440.55	DEP99-08	Rollover Deposit Maturing 7/05/99
13-Apr-99		4,630,000.00	7,416,440.55	DEP99-14	New Deposit Maturing 13/05/99
15-Apr-99	-700,000.00	702,341.11	7,418,781.66	DEP99-09	Rollover Deposit Maturing 17/05/99
23-Apr-99	-700,000.00	702,926.39	7,421,708.05	DEP96-10	Rollover Deposit Maturing 24/05/99
30-Apr-99	-684,684.72	687,547.08	7,424,570.41	DEP99-07	Rollover Deposit Maturing 10/05/99
7-May-99	-701,755.83	704,113.73	7,426,928.31	DEP99-08	Rollover Deposit Maturing 4/06/99
10-May-99	-687,547.08	670,311.86	7,409,693.09	DEP99-07	Rollover Deposit Maturing 7/06/99 less 18,045.00 to C/A
13-May-99	-4,630,000.00	4,646,976.67	7,426,669.76	DEP99-14	Rollover Deposit Maturing 14/6/99
17-May-99	-702,341.11	704,967.08	7,429,315.73	DEP99-09	Rollover Deposit Maturing 14/6/99
24-May-99	-702,926.39	705,535.22	7,431,924.58	DEP99-10	Rollover Deposit Maturing 21/6/99
1-Jun-99	-7,431,924.58		0.00		Deposits broken and transferred to Current Account
12-Oct-99		7,378,373.01	7,378,373.01	DEP99-126	New Deposit Maturing 12/11/99
12-Nov-99	-7,378,373.01	7,399,727.97	7,399,727.97	DEP99-126	Rollover Deposit Maturing 13/12/99
13-Dec-99	-7,399,727.97	7,462,944.22	7,462,944.22	DEP99-126	Rollover Deposit Maturing 13/01/00
25-Jan-00	-7,462,944.22	7,470,054.75	7,470,054.75	DEP99-126	Rollover Deposit Maturing 01/02/00
1-Feb-00	-7,470,054.75	7,477,172.05	7,477,172.05	DEP99-126	Rollover Deposit Maturing 08/02/00
8-Feb-00	-7,477,172.05	7,484,732.30	7,484,732.30	DEP99-126	Rollover Deposit Maturing 15/02/00
15-Feb-00	-7,484,732.30	7,492,038.23	7,492,038.23	DEP99-126	Rollover Deposit Maturing 22/02/00
22-Feb-00	-7,492,038.23	7,499,322.16	7,499,322.16	DEP99-126	Rollover Deposit Maturing 29/02/00
29-Feb-00	-7,499,322.16	7,506,656.91	7,506,656.91	DEP99-126	Rollover Deposit Maturing 7/03/00
7-Mar-00	-7,506,656.91	7,514,013.43	7,514,013.43	DEP99-126	Rollover Deposit Maturing 14/03/00
14-Mar-00	-7,514,013.43	7,521,377.16	7,521,377.16	DEP99-126	Rollover Deposit Maturing 21/03/00
21-Mar-00	-7,521,377.16	7,528,748.11	7,528,748.11	DEP99-126	Rollover Deposit Maturing 28/03/00
28-Mar-00	-7,528,748.11	7,536,433.71	7,536,433.71	DEP99-126	Rollover Deposit Maturing 4/04/00
4-Apr-00	-7,536,433.71	7,544,200.42	7,544,200.42	DEP99-126	Rollover Deposit Maturing 11/04/00
11-Apr-00	-7,544,200.42	7,552,063.15	7,552,063.15	DEP99-126	Rollover Deposit Maturing 18/04/00
18-Apr-00	-7,552,063.15	7,559,860.66	7,559,860.66	DEP99-126	Rollover Deposit Maturing 25/04/00
26-Apr-00	-7,559,860.66	7,568,798.10	7,568,798.10	DEP99-126	Rollover Deposit Maturing 3/05/00
3-May-00	-7,568,798.10	7,576,598.17	7,576,598.17	DEP99-126	Rollover Deposit Maturing 10/5/00
10-May-00	-7,576,598.17	7,584,479.94	7,584,479.94	DEP99-126	Rollover Deposit Maturing 17/05/00
17-May-00	-7,584,479.94	7,592,443.64	7,592,443.64	DEP99-126	Rollover Deposit Maturing 24/05/00
24-May-00	-7,592,443.64	7,600,888.12	7,600,888.12	DEP99-126	Rollover Deposit Maturing 31/05/00
31-May-00	-7,600,888.12	7,609,785.38	7,609,785.38	DEP99-126	Rollover Deposit Maturing 7/06/00
7-Jun-00	-7,609,785.38	7,618,707.85	7,618,707.85	DEP99-126	Rollover Deposit Maturing 14/06/00
14-Jun-00	-7,618,707.85	7,627,655.60	7,627,655.60	DEP99-126	Rollover Deposit Maturing 21/06/00
21-Jun-00	-7,627,655.60	7,636,658.35	7,636,658.35	DEP99-126	Rollover Deposit Maturing 28/06/00
28-Jun-00	-7,636,658.35	7,645,642.03	7,645,642.03	DEP99-126	Rollover Deposit Maturing 5/07/00
5-Jul-00	-7,645,642.03	7,654,963.34	7,654,963.34	DEP99-126	Rollover Deposit Maturing 12/07/00
12-Jul-00	-7,654,963.34	7,664,072.75	7,664,072.75	DEP99-126	Rollover Deposit Maturing 19/07/00
19-Jul-00	-7,664,072.75	7,673,088.68	7,673,088.68	DEP99-126	Rollover Deposit Maturing 26/07/00
26-Jul-00	-7,673,088.68	7,682,145.06	7,682,145.06	DEP99-126	Rollover Deposit Maturing 2/08/00
2-Aug-00	-7,682,145.06	7,691,212.13	7,691,212.13	DEP99-126	Rollover Deposit Maturing 9/08/00
9-Aug-00	-7,691,212.13	7,700,289.90	7,700,289.90	DEP99-126	Rollover Deposit Maturing 16/08/00
16-Aug-00	-7,700,289.90	7,709,348.44	7,709,348.44	DEP99-126	Rollover Deposit Maturing 23/08/00
23-Aug-00	-7,709,348.44	7,718,372.66	7,718,372.66	DEP99-126	Rollover Deposit Maturing 30/08/00
30-Aug-00	-7,718,372.66	7,727,437.46	7,727,437.46	DEP99-126	Rollover Deposit Maturing 6/09/00

USD Current Account8901-116103-0106

Date	Debit	Credit	Balance	Description
26-Feb-99		97,900.00	97,900.00	Deposit Received
26-Feb-99	-97,900.00		0.00	Transfer to Term Deposit
19-Mar-99		2,800,000.00	2,800,000.00	Deposit Received
19-Mar-99	-2,800,000.00		0.00	Transfer to Term Deposit
26-Mar-99		98,224.44	98,224.44	Transfer from Term Deposit
26-Mar-99		15,900.56	114,125.00	Transfer from Term Deposit
26-Mar-99	-100,000.00		14,125.00	T/T Ref00-307 L Marvin B Pinder
26-Mar-99	-14,000.00		125.00	T/T Ref00-306 JD Mitchell
26-Mar-99	-100.00		25.00	Fee on T/T Ref00-307
26-Mar-99	-25.00		0.00	Fee on T/T Ref00-306
9-Apr-99		750,000.00	750,000.00	Deposit Received
9-Apr-99		3,880,000.00	4,630,000.00	Deposit Received
13-Apr-99	-4,630,000.00		0.00	Transfer to Term Deposit
10-May-99		18,045.00	18,045.00	Transfer from Term Deposit
10-May-99	-18,000.00		45.00	T/T Ref00-480 JD Mitchell
10-May-99	-45.00		0.00	Fee on T/T Ref00-480
1-Jun-99		7,431,924.56	7,431,924.56	Transfer from Term Deposit
1-Jun-99	-36,194.56		7,395,730.00	Interest cost from Westpac caused by freeze order
30-Jun-99	-30.00		7,395,700.00	Quarterly Account Charge
10-Aug-99	-8.18		7,395,691.82	Fee on Chq 24/99
10-Aug-99	-3,270.00		7,392,421.82	Chq 24/99 Ridgeway Blake Lawyers
25-Aug-99	-3,037.15		7,389,384.67	Transfer to European Trust Limited BIT99/424
10-Sep-99	-2,517.50		7,386,867.17	Transfer to European Trust Limited BIT99/462
21-Sep-99	-1,084.00		7,385,783.17	Chq 29/99 Ridgeway Blake Lawyers
21-Sep-99	-7.00		7,385,776.17	Fee on Chq 29/99
30-Sep-99	-30.00		7,385,746.17	Quarterly Account Charge
12-Oct-99	-7,373.16		7,378,373.01	Transfer to PLA99-126
12-Oct-99	-7,378,373.01		0.00	Transfer to PITCO BIT99/537
31-Dec-99	-30.00		-30.00	Quarterly Account Charge
19-Jan-00	-7.00		-37.00	Fee on Chq 01/00
19-Jan-00	-5,493.00		-5,530.00	Chq 01/00 Ridgeway Blake Lawyers
7-Feb-00	-2,582.50		-8,112.50	Interest cost from Westpac caused by freeze order
8-Feb-00	-7,214.53		-15,327.03	Chq FX00-043 Baker & McKenzie
8-Feb-00	-7.00		-15,334.03	Fee on Chq FX00-043
16-Mar-00	-5,608.34		-20,942.37	Chq 00/062 Baker & McKenzie
16-Mar-00	-7.00		-20,949.37	Fee on Chq 00/062
31-Mar-00	-30.00		-20,979.37	Quarterly Account Charge
3-Apr-00	-2,121.86		-23,101.23	FX 00/129 Baker & McKenzie
3-Apr-00	-7.00		-23,108.23	Fee on FX00/129
18-Apr-00	-2,653.80		-25,762.03	Chq 12/00 Ridgeway Blake
18-Apr-00	-7.00		-25,769.03	Fee on Chq 12/00
16-May-00	-5,333.20		-31,102.23	Chqs 00/129 Baker & McKenzie
16-May-00	-7.00		-31,109.23	Fee on Chq 00/129
6-Jun-00	-2,129.08		-33,238.31	Chqs 00/140/141 NSW Crime Com & Robb Evans
6-Jun-00	-14.00		-33,252.31	Fee on Chq 00/140/141
30-Jun-00	-30.00		-33,282.31	Quarterly Account Charge
1-Aug-00	-7,450.93		-40,733.24	Chq 00/182 Baker & McKenzie
1-Aug-00	-7.00		-40,740.24	Fee on Chq 00/182

Placing

Date	Placed	Maturing	Reference	Narrative
26-Feb-99	97,900.00		PLA99-08	Maturing 05/03/99
26-Feb-99	619,512.46		PLA99-129	Maturing 5/3/99
5-Mar-99	718,043.73	-619,512.46	PLA99-129	Maturing 12/3/99
5-Mar-99		-97,900.00	PLA99-08	Matured
12-Mar-99	718,679.00	-718,043.73	PLA99-129	Maturing 19/3/99
19-Mar-99	419,310.64	-718,679.00	PLA99-129	Maturing 26/3/99
26-Mar-99	321,453.10	-419,310.64	PLA99-129	Maturing 9/4/99
26-Mar-99	684,684.72		PLA99-16	Maturing 30/4/99
9-Apr-99	701,755.83		PLA99-20	Maturing 7/5/99
9-Apr-99	322,019.39	-321,453.10	PLA99-129	Maturing 16/4/99
13-Apr-99	4,630,000.00		PLA99-24	Maturing 13/5/99
16-Apr-99	637,940.51	-322,019.39	PLA99-129	Maturing 23/4/99
19-Apr-99	702,341.11		PLA99-26	Maturing 17/5/99
23-Apr-99	702,926.39	-637,940.51	PLA99-129	Maturing 24/5/99
30-Apr-99	687,713.50	-684,684.72	PLA99-16	Maturing 10/5/99
7-May-99	704,250.18	-701,755.83	PLA99-20	Maturing 4/6/99
10-May-99	670,526.23	-687,713.50	PLA99-16	Maturing 7/6/99
13-May-99	4,647,941.25	-4,630,000.00	PLA99-24	Maturing 14/6/99
17-May-99	704,867.59	-702,341.11	PLA99-26	Maturing 14/6/99
24-May-99	705,686.55	-702,926.39	PLA99-129	Maturing 21/6/99
4-Jun-99	706,747.92	-704,250.18	PLA99-20	Maturing 21/6/99
7-Jun-99	672,888.72	-670,526.23	PLA99-16	Maturing 21/6/99
14-Jun-99	4,666,791.23	-4,647,941.25	PLA99-24	Maturing 21/6/99
14-Jun-99	707,334.63	-704,867.59	PLA99-26	Maturing 21/6/99
21-Jun-99		-705,686.55	PLA99-129	Matured
21-Jun-99		-707,334.63	PLA99-26	Matured
21-Jun-99		-672,888.72	PLA99-16	Matured
21-Jun-99		-706,747.92	PLA99-20	Matured
21-Jun-99	7,469,403.52	-4,666,791.23	PLA99-24	Maturing 21/7/99
21-Jul-99	7,498,876.54	-7,469,403.52	PLA99-24	Maturing 20/8/99
20-Aug-99	7,529,137.63	-7,498,876.54	PLA99-24	Maturing 20/09/99
20-Sep-99	7,561,082.83	-7,529,137.63	PLA99-24	Maturing 20/10/99
20-Oct-99	7,593,532.48	-7,561,082.83	PLA99-24	Maturing 19/11/99
19-Nov-99	7,625,425.32	-7,593,532.48	PLA99-24	Maturing 13/12/99
13-Dec-99	7,651,860.13	-7,625,425.32	PLA99-24	Maturing 18/01/00
18-Jan-00	7,698,249.53	-7,651,860.13	PLA99-24	Maturing 25/01/00
25-Jan-00	7,706,272.82	-7,698,249.53	PLA99-24	Maturing 1/02/00
1-Feb-00	7,714,259.52	-7,706,272.82	PLA99-24	Maturing 8/02/00
8-Feb-00	7,722,434.49	-7,714,259.52	PLA99-24	Maturing 15/02/00
15-Feb-00	7,730,723.24	-7,722,434.49	PLA99-24	Maturing 22/02/00
22-Feb-00	7,738,990.82	-7,730,723.24	PLA99-24	Maturing 29/02/00
29-Feb-00	7,747,312.38	-7,738,990.82	PLA99-24	Maturing 7/03/00
7-Mar-00	7,755,657.96	-7,747,312.38	PLA99-24	Maturing 14/03/00
14-Mar-00	7,764,012.53	-7,755,657.96	PLA99-24	Maturing 21/03/00
21-Mar-00	7,772,376.10	-7,764,012.53	PLA99-24	Maturing 28/03/00
28-Mar-00	7,781,066.05	-7,772,376.10	PLA99-24	Maturing 4/04/00
4-Apr-00	7,789,841.36	-7,781,066.05	PLA99-24	Maturing 11/04/00
11-Apr-00	7,798,717.45	-7,789,841.36	PLA99-24	Maturing 18/04/00
18-Apr-00	7,807,527.83	-7,798,717.45	PLA99-24	Maturing 26/04/00
26-Apr-00	7,817,625.57	-7,807,527.83	PLA99-24	Maturing 03/05/00

# 3598

3-May-00	7,826,442.11	-7,817,625.57	PLA99-24	Maturing 10/05/00
10-May-00	7,835,344.69	-7,826,442.11	PLA99-24	Maturing 17/05/00
17-May-00	7,844,333.57	-7,835,344.69	PLA99-24	Maturing 24/05/00
24-May-00	7,853,820.86	-7,844,333.57	PLA99-24	Maturing 31/05/00
31-May-00	7,863,395.98	-7,853,820.86	PLA99-24	Maturing 7/06/00
7-Jun-00	7,873,456.76	-7,863,395.98	PLA99-24	Maturing 14/06/00
14-Jun-00	7,882,627.17	-7,873,456.76	PLA99-24	Maturing 21/06/00
21-Jun-00	7,892,314.04	-7,882,627.17	PLA99-24	Maturing 28/06/00
28-Jun-00	7,901,982.12	-7,892,314.04	PLA99-24	Maturing 5/07/00
5-Jul-00	7,912,000.08	-7,901,982.12	PLA99-24	Maturing 12/07/00
12-Jul-00	7,921,799.97	-7,912,000.08	PLA99-24	Maturing 19/07/00
19-Jul-00	7,931,504.17	-7,921,799.97	PLA99-24	Maturing 26/07/00
26-Jul-00	7,941,251.11	-7,931,504.17	PLA99-24	Maturing 2/08/00
2-Aug-00	7,951,010.03	-7,941,251.11	PLA99-24	Maturing 9/08/00
9-Aug-00	7,960,780.94	-7,951,010.03	PLA99-24	Maturing 16/08/00
16-Aug-00	7,970,532.90	-7,960,780.94	PLA99-24	Maturing 23/08/00
23-Aug-00	7,980,250.31	-7,970,532.90	PLA99-24	Maturing 30/08/00
30-Aug-00	7,990,010.60	-7,980,250.31	PLA99-24	Maturing 6/09/00

FOLLOWING IS THE ENTIRE FRONT PAGE NEWS CONTENT OF THE DECEMBER 4, 1999 PORT VILA, VANUATU NEWSPAPER. ALTHOUGH FACTUALLY INACCURATE IN MANY ASPECTS (PARTICULARLY REGARDING THE ROLE OF EUROPEAN BANK LIMITED), IT IS THOUGHT TO ACCURATELY REFLECT THE VIEW OF THE NEW GOVERNMENT.



Issue No 205 December 4th 1999 Weather: Rain & humid 31° VT100

## VANUATU GOES AFTER \$US7.5m OF LAUNDERED MONEY

The Vanuatu government could find themselves with a US\$7.5 million (v982 million) windfall cash gift if the Public Prosecutors office are successful in convicting a Vanuatu registered international company Benford Ltd of laundering money here from the illicit proceeds of one of the biggest credit card frauds in history.

In May this year the European Bank, a Vanuatu commercial bank affiliated with Pico received over a period of a few months US\$7.5 million to be credited to an international company Benford Ltd. The funds were transferred from the Cayman Islands and bank officials and director Tom Bayer was suspicious enough to alert the police and get lawyers Ridgeway Blake to get a court order to freeze the funds after they had been contacted by investigators in the Cayman Islands who had closed down a bank involved in laundering funds worldwide including to Vanuatu and had access to documents showing where funds had been transferred.

The Public Prosecutors office was alerted when the court order freezing the assets was given in July. The police got involved to investigate the case and then Mark Hurley of George Vasaris & Co was approached by Robb Evans, who was appointed by the US District Court of California to get the court order to freeze the money lifted and return it to

the USA to reimburse it to people who had been defrauded. He is acting on behalf of nearly one million credit card owners who have been milked out of v15.9 billion (\$US45 million) through an internet credit card fraud scam.

The credit card fraud was brilliant and effective. It was run by 47 year old Robert Taves through a Malibu, USA company called Netfill who billed 900,000 credit card holders worldwide for internet services they didn't order in one of the largest credit card scams in history. The company accessed credit card numbers from users of their internet porn sites worldwide and from databases of credit card holders.

The accounts were debited in most cases US\$19-95, (v2633) a small sum that most people with credit cards would not notice and the scam prospered. So much so that Netfill took in more than US\$49.4 million last year, only a fraction of which came from access to porn sites on the internet, a business front for the company.

Credit card deductions were forwarded to ATS who are a credit card processing firm in California along with lists of credit card numbers with instructions to debit the accounts. A FBI officer was quoted in the Los Angeles Times saying, "the extent of the alleged scam was off the scales".

US authorities investigated

frequent trips by Taves to the Cayman Islands and later traced some US\$25 million had been laundered to offshore accounts and tax havens including the \$US7.5 million to the European Bank here. It is believed that the funds were sent accidentally to Vanuatu thinking that the European Bank was an offshoot of the Euro bank in Caymans, where most of the money went and which was closed down as a result of the scam.

Robb Evans has been travelling the world tracking down the missing money. He advised, "There are a couple of countries in the Caribbean, a couple in the Channel Islands, one in Europe and Vanuatu where stolen money was sent. So far we have traced around \$US20 million but unfortunately Vanuatu is the only country that is trying not to return the funds to the rightful owners. It is early days yet and we are confident that they will see that this large sum of money is not the proceeds of crime but was stolen from people and we are simply asking for the stolen funds to be returned. Governments all around the world cooperate with each other when it comes to fraud".

This view is not shared by the Public Prosecutors office who are taking the case to court under the Confiscation Of Funds Under the Proceeds of Crime Act 50 of 1989. In the past there have been one or two cases where the Vanuatu gov-

ernment have confiscated up to \$2 million dollars of funds sent in through Vanuatu but this time the amount is significantly higher and members of the Finance Centre believe that if the government do confiscate it, a clear message will be sent to the outside world not to launder the proceeds of crime through Vanuatu's Finance Centre.

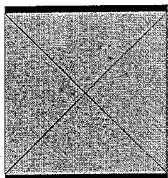
This case is however a sensitive one. Vanuatu may have a fight on its hands if it tries to confiscate the funds owing to ordinary people around the world that the court in California USA has ordered to be returned.

Heather Lini Leo, the Public Prosecutor has confirmed that Judge Oliver Saksak has upheld the request of their office to keep the funds frozen and not release them to the USA but the battle with the USA is far from over. They will need to prove that the funds were proceeds of crime before they can confiscate the \$US7.5 million and Evans has promised to fight it in a costly litigation battle.

The Public Prosecutor has advised that the European bank in Vanuatu has co-operated with the office of the Public Prosecutor and police, however he refused to make any comment on the case as he advised, "I am bound by the International Companies Act and cannot divulge any information on Benford Ltd".

Meanwhile Taves is in jail in the USA pending a trial.

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**NEWS  
RELEASE**

For Immediate Distribution

December 21, 2000

**Alejandro N. Mayorkas**

United States Attorney  
Central District of California

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**UNITED STATES SEIZES \$8.1 MILLION LINKED TO FRAUD;  
GOVERNMENT FILES LAWSUIT TO FORFEIT THE MONEY**

The United States government has seized \$8.1 million believed to be some of the proceeds of a massive fraud scheme in which credit cards were fraudulently charged for access to pornographic web sites. The proceeds of the fraud scheme had been laundered multiple times through banks in the Cayman Islands and the South Pacific island nation of Vanuatu.

The United States Attorney's Office this morning filed a civil complaint seeking forfeiture of the funds.

The seizure made on November 29 related to a civil action filed in United States District Court in 1999 by the Federal Trade Commission. In that case, the FTC alleged that companies operated by Kenneth H. Taves of Malibu had defrauded hundreds of thousands of consumers by charging amounts to their credit card accounts without authorization, a practice known as "cramming." The charges were purportedly for access to pornographic web sites on the Internet, but the consumers had not ordered and did not want access to the sites. Some of the consumers who were billed did not even own computers.

On August 10, 2000 United States District Judge Audrey B. Collins entered judgment in favor of the FTC, finding that Taves had defrauded consumers and ordering him to repay \$37.5 million to victims.

In January 1999, Judge Collins appointed a receiver to collect assets associated with Taves' fraud scheme. The receiver found evidence that Taves had laundered the fraud proceeds by transferring millions of dollars to accounts in the Cayman Islands, British West Indies. From those Cayman Islands accounts, Taves laundered the money again by transferring several million dollars to an account in the name of Benford Ltd. at European Bank in Vanuatu. European Bank then transferred the money to Citibank in



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Sydney, Australia, which placed the money with Citibank in New York.

The government recently obtained an order for seizure of the funds from United States Magistrate Judge Andrew J. Wistrich. On November 29, Citibank delivered \$8,110,000 to agents of the Federal Bureau of Investigation in response to the order.

Taves has been indicted on criminal charges of making a false statement and criminal contempt in connection with his efforts to conceal assets from the FTC. He is presently set to go to trial on those charges on January 23 before Judge J. Spencer Letts.

CONTACT: Assistant United States Attorney Monica Tait  
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Assistant United States Attorney Brent Whittlesey  
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# United States District Court

CENTRAL

DISTRICT OF

CALIFORNIA

In the Matter of the Seizure of  
(Address or brief description of property or premises to be seized)

All funds now held by Citibank, Citigroup, or any of their affiliates and subsidiaries, which were credited on or about October 22, 1999 to account number 36125294 on behalf of Citibank NA Sydney in the amount of \$7,593,532.48, for European Bank Limited of Vanuatu (account number 36121226), plus all accrued interest since the date of deposit.

## APPLICATION AND AFFIDAVIT FOR SEIZURE WARRANT

CASE NUMBER:

00 277000

I, CAMERON E. SAXEY, being duly sworn depose and say:

I am a Federal Bureau of Investigation Special Agent and have reason to believe that

in the CENTRAL District of CALIFORNIA  
there is now concealed a certain person or property, namely (describe the person or property to be seized)

All funds now held by Citibank, Citigroup, or any of their affiliates and subsidiaries, which were credited on or about October 22, 1999 to account number 36125294 on behalf of Citibank NA Sydney in the amount of \$7,593,532.48, for European Bank Limited of Vanuatu (account number 36121226), plus all accrued interest since the date of deposit.

which is (state one or more bases for seizure under United States Code)

subject to seizure and forfeiture under 18 U.S.C. § 981(a)(1)(A) and 981(a)(1)(C)

concerning a violation of Title 18 United States code, Section(s) 1956 and 1029.

The facts to support a finding of Probable Cause for issuance of a Seizure Warrant are as follows:

Continued on the attached sheet and made a part hereof. X Yes    No

    
Signature of Affiant

Sworn to before me, and subscribed in my presence

Date 11/17/00

at Los Angeles, California

City and State

Hon. Andrew J. Wistrich, U.S. Magistrate Judge  
Name and Title of Judicial Officer

ANDREW J. WISTRICH

Signature of Judicial Officer

MET

11-17-00

IN THE UNITED STATES DISTRICT COURT  
FOR THE CENTRAL DISTRICT OF CALIFORNIA

A F F I D A V I T

I, CAMERON E. SAXEY, being duly sworn, hereby depose  
and state:

1. I am a Special Agent of the Federal Bureau of Investigation ("FBI") and have been so employed since 1991. As of September 1, 1997, I have been assigned to the Asset Forfeiture Unit in the Los Angeles Field Office. For the six years prior to that, I was assigned to investigate white collar crime matters, as well as major financial fraud violations resulting from violations of Title 18 of the United States Code. I have been the lead case agent or assisted in several large white collar and financial fraud investigations which have resulted in seizure, search and arrest warrants. I have also testified in federal court regarding those matters.

PROPERTY TO BE SEIZED

2. I submit this affidavit in support of an application for a seizure warrant for all funds now held by Citibank, Citigroup, or any of their affiliates and subsidiaries, which were credited on or about October 22, 1999 to account number 36125294 on behalf of Citibank NA Sydney in the amount of \$7,593,532.48, for European Bank Limited of Vanuatu (account number 36121226), plus all accrued interest since the date of deposit. Said funds in the amount of

\$7,593,532.48 (not including accrued interest) are now believed to be held in the United States by Citibank, Citigroup, or one of their affiliates or subsidiaries (hereafter, "Citibank, et al.").

3. There is probable cause to believe that the proceeds described above were derived from proceeds traceable to violations of specified unlawful activity, specifically, proceeds traceable to violations of 18 U.S.C. § 1029 (credit card fraud). As such, such funds are subject to seizure and forfeiture pursuant to 18 U.S.C. § 981(a)(1)(C). Furthermore, such funds are property involved in the laundering of proceeds from a specified unlawful activity such as 18 U.S.C. § 1029 (credit card fraud) in violation of 18 U.S.C. §§ 1956 and 1957. As such, the funds are also subject to seizure and forfeiture pursuant to 18 U.S.C. § 981(a)(1)(A).

PREVIOUS SEIZURE WARRANT ISSUED IN THIS MATTER

4. On November 7, 2000, I sought and obtained a seizure warrant from the Honorable Andrew J. Wistrich, United States Magistrate Judge (00-2683M), for these funds, which I believed at that time to have been held by Citibank NA in New York. I was informed on November 13, 2000, by counsel for Citibank et al. that the prior seizure warrant was addressed to a subsidiary entity that did not actually have control of the funds, and was thus unable to comply. Accordingly, I now seek this revised seizure warrant which

eliminates the inaccurate description of the party currently in control of the funds.

SUMMARY OF PROBABLE CAUSE

5. There is probable cause to believe that the above described funds constitute money stolen from thousands of credit card holders by Kenneth H. Taves ("Taves"). Specifically, Taves illegally charged credit card customers through Taves' adult oriented websites without the customer's knowledge or consent. Approximately \$45 million dollars in fraudulent charges were submitted, processed and collected before the fraud was halted during January 1999. The funds deposited at Citibank et al. in the manner described in paragraph 2 are believed to be a portion of the funds fraudulently obtained by Taves.

BACKGROUND INFORMATION

6. This case arises out of a civil action<sup>1</sup> filed on January 6, 1999 by the Federal Trade Commission ("FTC") against Taves, his associates and his various companies<sup>2</sup>.

7. During early 1999, the Honorable Judge Audrey

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<sup>1</sup> Federal Trade Commission v. J.K. Publications, Inc., et al., Civil Case No.99-000499-00044 ABC (AJWx).

<sup>2</sup> In addition to Taves, the following individuals and companies were also named: Teresa Callei Taves, J.K. Publications, Inc., dba Netfil, dba netfill.com, dba N-Bill, dba Online Banking; Gary Neal Mitman, individually and as an Officer of Net Option, Inc.; MJD Services Inc., a Nevada Corporation, Herbal Care Inc., a California Corporation, TAL Services Inc., a Nevada Corporation; Adult Banc Inc., a California Corporation.

Collins, Central District of California, entered an order appointing Robb Evans and Associates as the Receiver relating to the financial affairs of Taves and his companies, and empowered him to investigate, locate and seize the assets of Taves and his companies.

8. The information presented in this affidavit is based upon the FTC's, the Receiver's and the FBI's investigation into the illegal activities of Taves and my conversations with Special Agent Michael C. Kelly, the FBI case agent assigned to this matter.

9. For more than a year before Robb Evans was appointed Receiver by Judge Collins, Taves and his wife Teresa Taves, with the assistance of various accomplices, carried on a massive credit card scam, submitting fraudulent charges against the credit cards of hundreds of thousands of cardholders for adult internet websites memberships that the cardholders had not ordered. In November, 1997, Charter Pacific Bank ("Charter Pacific") sold Taves access to a database of credit card and debit card transactions involving other merchants with accounts at Charter Pacific. Taves then used the consumer information provided in that database (including credit card numbers) to submit fraudulent billings, without the cardholders' consent, for processing through various merchant bank accounts that Taves controlled at Charter Pacific Bank and Heartland Bank. Approximately \$45 million in fraudulent charges had been

submitted, processed and collected before the scam was halted in January 1999.

10. Since the Receiver was appointed, Judge Collins has issued a number of orders with respect to the FTC's case against Taves, including a \$37.5 million dollar fraud judgment against Taves, his associates and Taves' related companies.

11. In her orders, Judge Collins found that the defendants engaged in a fraudulent scheme whereby they debited and charged card numbers without the cardholders' authorization. The Court granted the FTC's Motion for Summary Judgment on the issue of liability on April 10, 2000, and found that Kenneth and Teresa Taves and their corporate entities had committed unfair business practices in violation of Section 5 of the FTC Act (15 U.S.C. § 45(a)) by operating a fraudulent credit card scheme.

12. Judge Collins also found that the defendants transferred \$25.3 million in ill-gotten gains to offshore accounts, and that the funds the Receiver had traced to overseas accounts were proceeds of the fraud. The defendants were ordered to relinquish all right, title and interest to "all frozen assets held by or on behalf of the Receiver or receivership estate," including "all extraterritorial assets."

TAVES FAILED TO DISCLOSE HIS OFFSHORE ASSETS

13. On January 6, 1999, Judge Collins issued an order which required Taves to disclose all bank accounts, including offshore accounts, under his control. Taves filed a declaration under penalty of perjury concerning his assets on January 9, 1999. The financial statement attached to that declaration failed to disclose that Taves controlled accounts in banks in George Town, Cayman Islands.

14. On October 27, 2000, the FBI attended the depositions of two officers of Barclay's Bank (Cayman). The depositions were conducted in George Town, Grand Cayman, before Chief Justice Anthony Smellie of the Grand Court of the Cayman Islands. The depositions were conducted pursuant to a Mutual Legal Assistance Treaty Request from the United States to the Cayman Islands. During the depositions, two officers of Barclay's Bank (Cayman) testified that on January 9, 1999, Kenneth Taves had approximately \$5 million on deposit with Barclay's Bank (Cayman)<sup>3</sup>. This account was not disclosed on Taves' financial statement filed with the District Court.

15. On October 29, 2000, the FBI interviewed Judy Donegan in George Town, Cayman Islands. During the interview Ms. Donegan told the FBI that until January 1999, Ms. Donegan was a Vice President of Euro Bank Corporation

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<sup>3</sup>The Receiver has traced these funds directly to Taves' fraudulent credit card activity.



("Euro Bank") in Grand Cayman. As of January 9, 1999, Euro Bank held approximately \$20 million in assets for Taves, consisting of a demand account and a portfolio of mutual funds and common stock<sup>1</sup>.

TAVES TRANSFERRED HIS EURO BANK FUNDS  
TO AN ACCOUNT ON THE ISLAND OF VANUATU

16. The FBI has received copies of documents from the files of Euro Bank pertaining to the accounts of Taves in the Cayman Islands, which have been supplied to the FBI by the Receiver. From those records the FBI has determined that at the direction of Taves, Euro Bank transferred approximately \$7.5 million to an account at European Bank, Vanuatu<sup>5</sup>, which account was in the name of Benford Ltd. The transfer was effected in March 1999.

17. Taves failed to disclose his account with Euro Bank in Grand Cayman in the financial declaration that he filed on January 9, 1999 with the District Court.

THE VANUATU FUNDS WERE TRANSFERRED TO CITIBANK NEW YORK

18. The FBI has reviewed a number of reports filed by the Receiver with the Court and those reports clearly show that the \$7,593,532.48 deposited at Citibank NA in Sydney on or about October 20, 1999, and now held by Citibank, et al.

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<sup>1</sup> The Receiver has traced these funds directly to Taves' fraudulent credit card activity.

<sup>5</sup> The Receiver has traced these funds directly to Taves' fraudulent credit card activity.

in the United States, were transferred from an account European Bank in Vanuatu on behalf of Benford Ltd., a nominee account set up by Taves and his accomplices. As noted above, European Bank received the Benford Ltd. funds from Euro Bank in the Cayman Islands.

19. Records of Euro Bank in the Cayman Islands which the FBI has received from the Receiver show that Euro Bank assisted Kenneth Taves in establishing a bank account with European Bank Ltd. in Vanuatu. This was in February 1999, after the January 6 order freezing all accounts controlled by Taves. European Bank set up an account in the name of Benford Ltd. Nominee owners were appointed by European Bank. A nominee was named as the beneficial owner.

SUMMARY OF TRANSFER OF STOLEN FUNDS

20. The funds now on deposit at Citibank et al. were obtained by Taves and transferred to Citibank et al. in the following manner:

Between mid-1997 and November 1998, approximately \$25.3 million dollars was transferred from four Taves controlled United States bank accounts to Taves controlled bank accounts at EuroBank in the Cayman Islands in the names of "Phaeton" and "Media Buying Services." Thereafter, approximately \$7.4 million dollars was transferred to European Bank in Vanuatu and deposited into an account controlled by Taves in the name of Benford Ltd. (As referenced above, Euro Bank assisted Kenneth Taves in

establishing a bank account with European Bank Ltd. in Vanuatu.)

21. After the Receiver had failed in obtaining the funds through the Vanuatu authorities, the Receiver learned that on October 20, 1999, the contents of the Benford account had been transferred to an account at Citibank NA in Sydney. These funds were transferred to Citibank et al. in the United States, and are currently in the possession of Citibank et al.

INDICTMENT OF KENNETH TAVES

22. On February 29, 2000, a grand jury in the Central District of California returned an indictment charging Taves with making a false statement in violation of 18 U.S.C. § 1001 and criminal contempt in violation of 18 U.S.C. § 402, No. CR 00-187-JSL. The case is presently set for trial before the Honorable Judge J. Spencer Letts on November 14, 2000.


OUT OF DISTRICT SEIZURE WARRANTS

23. Pursuant to 28 U.S.C. § 1355(b) and 18 U.S.C. § 981(b)(3) (effective August 23, 2000 under the Civil Asset Forfeiture Reform Act of 2000 Pub. L. No. 106-185 114 Stat. 202 (2000)), this court may issue a seizure warrant for property located outside the district when the acts or omission giving rise to the forfeiture occurred within this district. In this case, the fraud occurred within this

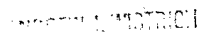
district. The Citibank et al. account is believed to be located in New York City, New York.

CONCLUSION

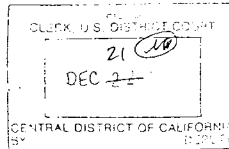
24. Based on the foregoing facts, I believe that there is probable cause to believe that Taves has engaged in a violation of 18 U.S.C. § 1029, credit card fraud. As such, the subject funds at Citibank et al. are subject to seizure and forfeiture pursuant to 18 U.S.C. § 981(a)(1)(C). Furthermore, the funds constitute property involved in the laundering of proceeds from a specified unlawful activity such as 18 U.S.C. § 1029 (credit card fraud) in violation of 18 U.S.C. §§ 1956 and 1957. As such, the funds are also subject to seizure and forfeiture pursuant to 18 U.S.C. § 981(a)(1)(A).

  
CAMERON E. SAXEY  
SPECIAL AGENT, FBI

Subscribed and sworn to before me this  
17 day of November 2000.

  
THE HONORABLE ANDREW J. WISTRICH  
UNITED STATES MAGISTRATE JUDGE

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11 UNITED STATES DISTRICT COURT  
 12 FOR THE CENTRAL DISTRICT OF CALIFORNIA  
 13 WESTERN DIVISION

14 UNITED STATES OF AMERICA, ) CV No. 00-13328 CBM(CWX)  
 15 )  
 Plaintiff, ) COMPLAINT FOR FORFEITURE IN REM  
 16 )  
 v. ) 18 U.S.C. § 981(a)(1)(A), and  
 17 ) 18 U.S.C. § 981(a)(1)(C)  
 18 \$8,110,073.30 IN U.S. )  
 CURRENCY, REPRESENTING )  
 19 \$7,593,532.48 DEPOSITED BY )  
 EUROPEAN BANK AT CITIBANK NA ) [Federal Bureau of  
 (SYDNEY BRANCH) ON OR ABOUT ) Investigation]  
 20 OCTOBER 20, 1999, PLUS )  
 ACCRUED INTEREST SINCE THE )  
 21 DATE OF DEPOSIT, )  
 22 Defendants, )  
 23 )

24 For its claim against the defendant, \$8,110,073.30 in U.S.  
 25 Currency, Representing \$7,593,532.48 Deposited by European Bank  
 26 at Citibank NA (Sydney Branch) on or about October 20, 1999, plus  
 27 Accrued Interest since the Date of Deposit, plaintiff United  
 28 States alleges as follows:

JURISDICTION AND VENUE

1. This is a civil forfeiture action brought pursuant to Title 18, United States Code, §§ 981(a)(1)(A) and 981(a)(1)(C).

2. This Court has jurisdiction under Title 28, United States Code §§ 1345 and 1355, and 18 U.S.C. § 1956(f).

3. Venue lies in this district pursuant to Title 28, United States Code §§ 1355(b) and 1395.

PERSONS AND ENTITIES

4. The plaintiff in this action is the United States of America.

5. The defendant is \$8,110,073.30 in U.S. Currency, representing \$7,593,532.48 deposited by European Bank at Citibank NA (Sydney Branch) on or about October 20, 1999, plus accrued interest since the date of deposit ("defendant currency").

6. The defendant currency was seized on November 29, 2000. On that date, Citibank NA New York delivered the defendant currency to the Federal Bureau of Investigation in Los Angeles in the form of a check. The funds are within the jurisdiction of this court.

7. The defendant was seized from Citibank NA New York's custody by agents of the Federal Bureau of Investigation pursuant to a seizure warrant issued by the Honorable Andrew J. Wistrich, United States Magistrate Judge. The defendant currency is traceable to proceeds of a fraud which took place in the Central District of California.

FACTS

8. The defendant currency derives from money stolen from thousands of credit card holders and their banks by Kenneth H.

1 Taves ("Taves"). Taves illegally charged credit card customers  
2 through Taves's adult oriented website businesses without the  
3 customers' knowledge or consent. Approximately \$45 million in  
4 charges were submitted, processed and collected before the fraud  
5 was halted during January 1999. The defendant currency is  
6 traceable to a portion of the funds fraudulently obtained by  
7 Taves.

8 BACKGROUND INFORMATION

9 9. This case arises out of a civil action filed on January  
10 6, 1999 by the Federal Trade Commission ("FTC") against Taves,  
11 his associates, and his various companies, seeking an injunction  
12 to stop Taves from engaging in the fraudulent credit card scheme  
13 outlined below. This action was captioned Federal Trade  
14 Commission v. J.K. Publications, Inc., et al., CV 99-0044 ABC  
15 (AJWx). At the request of the FTC, in early 1999, the Honorable  
16 Audrey B. Collins of the Central District of California entered  
17 an order appointing Robb Evans and Associates as Receiver for  
18 Taves and his companies, and empowered Evans to investigate,  
19 locate and seize the assets of Taves and his companies.

20 10. For more than a year prior to the FTC's suit, Taves and  
21 his wife Teresa Taves, with the assistance of various  
22 accomplices, carried on a massive credit card scam, submitting  
23 fraudulent charges against the credit cards of hundreds of  
24 thousands of cardholders for adult Internet website memberships  
25 that the cardholders had not ordered. In November 1997, Charter  
26 Pacific Bank ("Charter Pacific") sold Taves access to a database  
27 of credit card and debit card transactions involving other  
28 merchants with accounts at Charter Pacific. Taves then used the

1 consumer information provided in that database (including credit  
2 card numbers) to submit fraudulent billings, without the  
3 cardholders' consent, for processing through various merchant  
4 bank accounts that Taves controlled at Charter Pacific Bank and  
5 Heartland Bank. Approximately \$45 million in such charges had  
6 been submitted, processed and collected before the scam was  
7 halted by the FTC's action in January 1999.

8 11. Judge Collins has ruled that the Taves defendants  
9 engaged in a fraudulent scheme whereby they debited and charged  
10 card numbers without the cardholders' authorization. The Court  
11 granted the FTC's Motion for Summary Judgment on the issue of  
12 liability for the fraud on April 10, 2000, and found that Kenneth  
13 and Teresa Taves and their corporate entities had committed  
14 unfair business practices in violation of Section 5 of the FTC  
15 Act (15 U.S.C. § 45(a)) by operating a fraudulent credit card  
16 scheme.

17 12. Judge Collins also found that the defendants  
18 transferred \$25.3 million in ill-gotten gains to offshore  
19 accounts, and that the funds the Receiver had traced to overseas  
20 accounts were proceeds of the fraud.

21 13. In August 2000, after a trial on the issue of damages,  
22 Judge Collins entered a \$37.5 million judgment in the FTC matter  
23 against Taves, his associates, and his related companies, ruling  
24 that the FTC had proved that the Taves defendants had collected  
25 fraudulent charges in that amount.

26 14. Of the money stolen through this scheme, the receiver  
27 in the FTC case has recovered about \$7 million from Taves's  
28 United States assets. An additional \$11 million is the subject



1 of separate litigation in the Cayman Islands. Finally, the  
2 defendant currency is traceable to \$7.53 million of Taves's fraud  
3 proceeds. The remainder of the fraud proceeds have not been  
4 recovered.

5 TAVES FAILED TO DISCLOSE HIS OFFSHORE ASSETS

6 15. On January 6, 1999, Judge Collins issued an order  
7 which required Taves to disclose all bank accounts, including  
8 offshore accounts, under his control. Taves filed a declaration  
9 under penalty of perjury concerning his assets on January 9,  
10 1999. The financial statement attached to that declaration  
11 failed to disclose that Taves controlled accounts in banks in  
12 George Town, Cayman Islands.

13 16. On October 27, 2000, agents of the FBI attended the  
14 depositions of two officers of Barclay's Bank (Cayman). The  
15 depositions were conducted in George Town, Grand Cayman, before  
16 Chief Justice Anthony Smellie of the Grand Court of the Cayman  
17 Islands. The depositions were conducted pursuant to a Mutual  
18 Legal Assistance Treaty Request from the United States to the  
19 Cayman Islands. During the depositions, two officers of  
20 Barclay's Bank (Cayman) testified that on January 9, 1999,  
21 Kenneth Taves had approximately \$5 million on deposit with  
22 Barclay's Bank (Cayman). This account was not disclosed on the  
23 financial statement Taves filed with the District Court. The  
24 Receiver has traced these funds to the fraud proceeds.

25 17. On October 29, 2000, the FBI interviewed Judy Donegan  
26 in George Town, Cayman Islands. During the interview Ms. Donegan  
27 told the FBI that until January 1999, Ms. Donegan was a Vice  
28 President of Euro Bank Corporation ("Euro Bank") in Grand Cayman.

1 As of January 9, 1999, Euro Bank held approximately \$20 million  
2 in assets for Taves in several accounts bearing the names of  
3 straw owners. These accounts were not disclosed on the financial  
4 statement Taves filed with the District Court. The Receiver has  
5 traced these funds directly to Taves's fraudulent credit card  
6 activity.

7 TAVES TRANSFERRED FRAUD PROCEEDS

8 FROM THE U.S. TO ACCOUNTS IN THE CAYMAN ISLANDS

9 18. Between mid-1997 and November 1998, approximately  
10 \$25.3 million dollars was transferred from four Taves-controlled  
11 United States bank accounts to Taves-controlled bank accounts at  
12 Euro Bank in the Cayman Islands in the names of "Phaeton" and  
13 "Media Buying Services." The source United States accounts  
14 contained the proceeds of Taves's fraud.

15 19. After moving the money to the Phaeton and Media Buying  
16 Services accounts, Taves then moved the money around among  
17 several accounts at various banks in the Cayman Islands. From  
18 Media Buying Services, Taves transferred approximately \$16.83  
19 million in fraud proceeds to seven additional Cayman Island  
20 accounts (collectively, the "Level II accounts"), described as  
21 follows: Kenneth and Teresa Taves, at Euro Bank; Royal Bank of  
22 Canada/Dominion Securities, accounts 245-00188-13 and 245-00278-  
23 14; Ken Taves, at Barclays Bank; Chamonix Investments Ltd., at  
24 Euro Bank; Global Connection, at Cayman National Bank; and  
25 Gretchen Buck/Matthew Reid, at Euro Bank. From Phaeton, Taves  
26 transferred approximately \$2.5 million to Chamonix Investments  
27 Ltd. at Euro Bank, a Level II account. Over a period of about a  
28 year, fraud proceeds were transferred and re-transferred at

1 Taves's direction among and between these Level II accounts. All  
2 the accounts are controlled by Taves.

3 TAVES TRANSFERRED FUNDS FROM EURO BANK IN THE  
4 CAYMAN ISLANDS TO AN ACCOUNT ON THE ISLAND OF VANUATU

5 20. Euro Bank's records show that Euro Bank assisted  
6 Kenneth Taves in establishing a bank account with European Bank  
7 Ltd. in Vanuatu. This took place in February 1999, after the  
8 January 6 order freezing all accounts controlled by Taves.  
9 Pursuant to these arrangements, European Bank set up an account  
10 in the name of Benford Ltd., and European Bank appointed nominee  
11 owners for the Benford Ltd. account.

12 21. The FBI received from the Receiver copies of documents  
13 from the files of Euro Bank pertaining to the accounts of Taves  
14 in the Cayman Islands. From those records the FBI has determined  
15 that at the direction of Taves, Euro Bank transferred a total of  
16 approximately \$7.53 million from three of the Taves accounts  
17 (Media Buying Services, Gretchen Buck/Matthew Reid, and Chamonix  
18 Investments) to an account in the name of Benford Ltd. at  
19 European Bank, Vanuatu. The transfers were effected between  
20 February and April 1999. The Receiver tried to obtain the funds  
21 from European Bank through a Vanuatuan court proceeding, but  
22 failed to obtain relief in Vanuatu.

23 THE VANUATU FUNDS WERE TRANSFERRED TO CITIBANK NA SYDNEY

24 22. The FBI has reviewed a number of reports filed by the  
25 Receiver with the Court and those reports show that on or about  
26 October 20, 1999, European Bank in Vanuatu deposited  
27 \$7,593,532.48 traceable to the Benford Ltd. account to an account  
28 at Citibank NA in Sydney, Australia. The Benford Ltd. account in

1 turn was a nominee account set up by Taves and his accomplices.  
 2 (As noted above, European Bank received the Benford Ltd. funds  
 3 from Taves's Euro Bank accounts in the Cayman Islands.)  
 4 Subsequent to their receipt by Citibank NA in Sydney, the  
 5 Benford/European Bank funds were placed in a dollar-denominated  
 6 account in the custody of Citibank NA in New York, from whom the  
 7 funds were seized by the FBI. Thus, the defendant currency  
 8 constitutes the funds deposited by European Bank at Citibank NA  
 9 in Sydney, plus the interest those funds have accrued to the date  
 10 of seizure.

#### 11 MONEY LAUNDERING

12 23. Credit card fraud is a specified unlawful activity for  
 13 purposes of money laundering pursuant to 18 U.S.C. §  
 14 1956(c) (7) (A).

15 24. Taves took the proceeds of his credit card fraud scheme  
 16 and sent those proceeds to accounts in the Cayman Islands in the  
 17 names "Phaeton" and "Media Buying Services." Taves concealed  
 18 these Cayman Island accounts from the FTC and the Receiver by  
 19 failing to include them on his financial statement, in violation  
 20 of a court Order. Taves's transfers from the United States to  
 21 the Phaeton and Media Buying Services accounts were financial  
 22 transactions and transfers involving proceeds of specified  
 23 unlawful activity, conducted to conceal or disguise the nature,  
 24 source, location or ownership of the illegal proceeds, which  
 25 constitutes money laundering in violation of 18 U.S.C. §§  
 26 1956(a) (2) (B) and 1956(a) (1) (B).

27 25. Further financial transactions took place with the  
 28 fraud proceeds in the Cayman Islands. From Phaeton and Media

1 Buying Services, monies were transferred to the Level II  
2 accounts. Subsequently, multiple financial transactions occurred  
3 among and between the Level II accounts. Finally, at Taves's  
4 direction, Euro Bank in the Cayman Islands transferred  
5 approximately \$7.4 million of Taves's money to an account in the  
6 name of Benford Ltd. at European Bank in Vanuatu. This Benford  
7 account was a nominee account set up by Taves and his  
8 accomplices. All these transactions were conducted at the  
9 direction of Taves, a United States citizen, and the related  
10 transactions involve funds of a value exceeding \$10,000.00. The  
11 transfers among and between Media Buying Services, Phaeton, and  
12 the Level II accounts, and the transfers to the Benford Ltd.  
13 account, were thus financial transactions involving proceeds of  
14 specified unlawful activity, conducted to conceal or disguise the  
15 nature, source, location or ownership of Taves's illegal  
16 proceeds, which constitutes money laundering in violation of 18  
17 U.S.C. § 1956(a)(1)(B). There is extraterritorial jurisdiction  
18 over these acts pursuant to 18 U.S.C. § 1956(f).

19 26. The defendant currency is traceable to the Benford Ltd.  
20 funds in Vanuatu, which were involved in money laundering or are  
21 traceable to property involved in money laundering. The  
22 defendant currency is therefore subject to forfeiture pursuant to  
23 18 U.S.C. § 981(a)(1)(A).

24 27. In the alternative, approximately \$7.53 million of the  
25 defendant currency constitutes or derives from proceeds traceable  
26 to violations of 18 U.S.C. § 1029. Such portion of the defendant  
27 currency is therefore subject to forfeiture pursuant to 18 U.S.C.  
28 § 981(a)(1)(C).

1 WHEREFORE, the United States prays that:

2 a. due process issue to enforce the forfeiture of the  
3 defendant;

4 b. due notice be given to all interested parties to appear  
5 and show cause why forfeiture should not be decreed;

6 c. judgment be entered declaring that the defendant is  
7 forfeited to the United States of America for disposition  
8 according to law;

9 d. the United States be awarded all of its costs,  
10 expenses, and disbursements in this action; and

11 e. the United States be awarded such other and further  
12 relief as this Court may deem just and proper.

13 DATED: December 21, 2000

ALEJANDRO N. MAYORKAS  
United States Attorney  
JOHN S. GORDON  
Assistant United States Attorney  
Chief, Criminal Division  
JANET C. HUDSON  
Assistant United States Attorney  
Chief, Asset Forfeiture Section

17 Monica E. Tait  
18 MONICA E. TAIT  
19 Assistant United States Attorney  
20  
21  
22  
23  
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25  
26  
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28

VERIFICATION

I, Mike Kelly, declare:

1. I am a Special Agent of the Federal Bureau of Investigation. I am assigned to a White Collar Crime Unit in the Los Angeles Field Office.

2. I have read the foregoing Complaint for Forfeiture and know its contents.

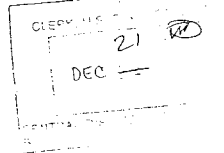
3. The information contained in the complaint has been furnished from official government sources and from records held by the Receiver, an officer of the Court, and, based on information and belief, the allegations contained in the Complaint for Forfeiture are true and correct.

I declare under penalty of perjury that the foregoing is true and correct.

DATED: December 20, 2000

  
MIKE KELLY

1 ALEJANDRO N. MAYORKAS  
 United States Attorney  
 2 JOHN S. GORDON  
 Assistant United States Attorney  
 3 Chief, Criminal Division  
 JANET C. HUDSON  
 4 Assistant United States Attorney  
 Chief, Asset Forfeiture Section  
 5 MONICA E. TAIT  
 California Bar No.: 157311  
 6 Assistant United States Attorney  
 Asset Forfeiture Section  
 7 Federal Building, Suite 7516  
 300 North Los Angeles Street  
 8 Los Angeles, California 90012  
 Telephone: (213)894-2931  
 9 Facsimile: (213)894-7177  
 Attorneys for Plaintiff  
 10 United States of America



11 UNITED STATES DISTRICT COURT  
 12 FOR THE CENTRAL DISTRICT OF CALIFORNIA  
 13 WESTERN DIVISION

14 UNITED STATES OF AMERICA, ) No. CV 00-13328 CBM  
 15 ) ) (CWx)  
 16 Plaintiff, ) NOTICE OF INTERESTED PARTIES  
 17 v. ) (Local Rule 4.6)  
 18 )  
 19 \$8,110,073.30 IN U.S. )  
 20 CURRENCY, REPRESENTING )  
 21 \$7,593,532.48 DEPOSITED BY )  
 22 EUROPEAN BANK AT CITIBANK NA )  
 23 (SYDNEY BRANCH) ON OR ABOUT )  
 24 OCTOBER 20, 1999, PLUS )  
 25 ACCRUED INTEREST SINCE THE )  
 26 DATE OF DEPOSIT, )  
 27 Defendants, )

24 Pursuant to Local Rule 4.6, and based upon information and  
 25 belief, the undersigned, counsel of record for the United States  
 26 of America, certifies that the following listed party (or parties)  
 27 may have a direct, pecuniary interest in the outcome of this case.  
 28 //

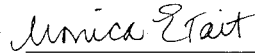


1 These representations are made to enable the Court to evaluate  
2 possible disqualifications or recusal.  
3 Robb Evans & Associates potential claimant  
4 European Bank Ltd. potential claimant  
5 Citigroup, New York potential claimant  
6 Citibank Limited, Sydney potential claimant  
7 Australia  
8 Kenneth Howard Taves potential claimant  
9 Teresa Callei Taves potential claimant  
10 Melvin E. Taves potential claimant  
11 Raymond Frank Creed potential claimant  
12 Martin J. Dugan potential claimant  
13 Gretchen Buck potential claimant  
14 Matthew Reid potential claimant  
15 JK Publications potential claimant  
16 MJD Service Corp. potential claimant  
17 Discreet Bill Inc. potential claimant  
18 Euro Bank Corporation potential claimant  
19 Media Buying Service potential claimant  
20 Phaeton Corporation potential claimant  
21 Global Connection potential claimant  
22 Benford Ltd. potential claimant  
23 //  
24 //  
25 //  
26 //  
27 //  
28 //

1 Vanessa Clyde potential claimant  
2 Multimedia West potential claimant

3 DATED: December 20, 2000.

4 ALEJANDRO N. MAYORKAS  
5 United States Attorney  
6 JOHN S. GORDON  
7 Assistant United States Attorney  
8 Chief, Criminal Division  
9 JANET C. HUDSON  
10 Assistant United States Attorney  
11 Chief, Asset Forfeiture Section

12 

13 MONICA E. TAIT  
14 Assistant United States Attorney

15 Attorneys for Plaintiff  
16 United States of America  
17  
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3627

Senate Permanent Subcommittee  
On Investigations  
EXHIBIT # 60e

**Exhibit 60e.**

**Internet Processing Corp. account documents**

3628

mailbox:yys7C/data/email/mail/SENT?id=36C9F1E47996@vanuatu.com.vu&number

Subject: Internat Processing Corp  
Date: Tue, 16 Feb 1999 14:32:20 -0800  
From: Kely Ihrig <security@vanuatu.com.vu>  
Organization: European Bank Limited  
To: hmosaddeo@hotmail.com

TRANSMITTED BY E-MAIL  
ON 16 FEB 1999 AM/PM

Dear Mr Hossain

I have just received your facsimile concerning the opening of banking and credit card facilities with European Bank Limited. There are a couple of points which need to be raised as indicated from the copies of the documents you have already sent:

1. the merchant agreement must be initialled on each page of the document
2. a reference from your current bankers is required.
3. a price list of product you provide so we may set limits.
4. merchant setup fee of USD1500-00 is required

I hope this message gets to you before the despatch of the original documents via courier.

Looking forward to a long and mutually prosperous association.

Regards

Kely Ihrig

ACCOUNT OPENING QUESTIONNAIRE - CORPORATE ACCOUNT

TO: European Bank Limited  
P.O. Box 65  
Port Vila  
VANUATU

Account to be opened:    - Current Account        ☐    Investment Call Account    ☐  
                                      - Term Deposit            ☐    Fiduciary Deposit           ☐  
                                      - Investment Portfolio   ☐    Merchant Account           ☒

As a company interested in operating an account(s) with yourselves, we hereby provide background information about ourselves on a strictly confidential basis.

ACCOUNT TO BE STYLED AS: Internet Processing Corporation

PLACE/DATE OF INCORPORATION: February 2, 1999

REGISTERED OFFICE ADDRESS: 2690 North Andrews Avenue

Wilton Manors, Florida 33312

MAILING ADDRESS: Same

TELEPHONE NO: 954-630-3382 FACSIMILE NO: 954-630-3531

EMAIL ADDRESS: hmosaddeo@hotmail.com

ACTIVITIES: Outbound Telemarketing of Tours & Time Shares

Our current financial position is set out below/attached :

LIABILITIES	ASSETS
Banks (Secured)	Cash at Bank
Banks (Unsecured)	Deposits
Finance Companies	Marketable Investments (Market Value)
Mortgages	Non-Marketable Investments
Sundry Loans (Secured)	Accounts Receivable
Sundry Loans (Unsecured)	Life Assurance (Cash Surrender Value)
Income Tax Payable	Real Estate
Accounts Payable	Furniture, Fittings - Home
Other Liabilities	Motor Vehicles
	Equity in Business or Company
	Superannuation, Pension Benefits
	Other Assets
NET WORTH (DEFICIT)	

3630

TOTAL LIABILITIES

TOTAL ASSETS

2. PARTICULARS OF DIRECTORS AND SECRETARY:

FULL NAME	NATIONALITY	BUSINESS OCCUPATION & PASSPORT NO	DATE OF BIRTH
Mosaddeo Hossain	Bangladeshi	Private Service F 586435	Jan. 02. 1957

3. (a) We were referred to European Bank Limited by

Mike Okun of Media World

(b) In case of need we suggest you refer to the following references:

NAME	POSITION/TITLE	ADDRESS	TELEPHONE	FACSIMILE
Mosaddeo Hossain	President	2690 N. Andrews Ave.	954-630-3382	954-630-3331

4. NAME, ADDRESS OF EXISTING BANKERS: Bank Atlantic Hillsboro Office

We have banked with them for 1 years/months.

5. NAME/ADDRESS OF OUR SOLICITORS: N/A

Name of person acting for us: N/A

Telephone: N/A

Telephone: N/A

6. NAME, ADDRESS OF OUR ACCOUNTANTS: Internet Processing Corp.

Name of person acting for us: Mosaddeo Hossain

Telephone: 954-630-3382

7. We will not request or direct that any account(s) operated through European Bank Limited carry out any illegal or questionable transactions.

8. We believe that the following additional information (if any) will be helpful in establishing a customer relationship with European Bank Limited  
We will need to setup separate accounts under our master account in order to assist with accounting for separate clients if possible. And do I need to send startup fees or could you please debit it out of transactions?

9. We understand that the foregoing information is for the confidential use of European Bank Limited and that it will not be disclosed to any third party without our permission, and that the secrecy laws of Vanuatu cover this information filed with European Bank Limited.



SIGNED

(Print Name) Mosaddeo Hossain

Cocontractant(s):

Internet Processing, Corp.

Le/la soussigné(e) déclare:  
(indiquer par une croix ce qui convient)

- ☐ que le concontractant est l'ayant droit économique des valeurs confiées à la banque
- ☐ que l'ayant droit économique des valeurs confiées à la banque est:

Adresse / Siège, Etab:

Le cocontractant s'engage à communiquer spontanément les modifications à la banque.

Lieu et date

Signature \_\_\_\_\_

Contracting Party

Internet Processing, Corp

The undersigned hereby declare  
(mark with a cross where appropriate)

- ☒ that the contracting party is the beneficial owner of the assets deposited with the bank
- ☐ that the beneficial owner of the assets deposited with the bank is

Address/Domicile, Country:

2690 North Andrews Avenue

Ft. Lauderdale, Florida 33312

The contracting party undertakes to inform the bank immediately of any changes.

Place and date 2/12/1999

Signature(s)

3632

501487-6013 02/02/99 10:45 Fl Dept of State p2 /2



FLORIDA DEPARTMENT OF STATE  
Katherine Harris  
Secretary of State

February 2, 1999

INTERNET PROCESSING, CORP.  
2690 N. ANDREWS AVENUE  
WESTON MANORS, FL 33312

The Articles of Incorporation for INTERNET PROCESSING, CORP. were filed on February 2, 1999, and assigned document number P99000010089. Please refer to this number whenever corresponding with this office.

Enclosed is the certification requested. To be official, the certification for a certified copy must be attached to the original document that was electronically submitted and filed under FAX audit number H99000002540.

A corporation annual report will be due this office between January 1 and May 1 of the year following the calendar year of the file date year. A Federal Employer Identification (FEI) number will be required before this report can be filed. Please apply NOW with the Internal Revenue Service by calling 1-800-829-3676 and requesting form SS-4.

Please be aware if the corporate address changes, it is the responsibility of the corporation to notify this office.

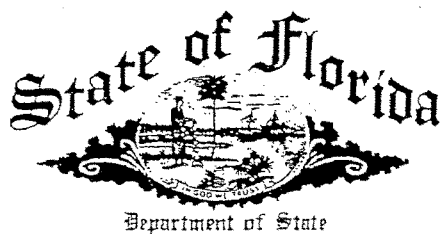
Should you have questions regarding corporations, please contact this office at the address given below.

Neysa Culligan  
Document Specialist  
New Filings Section  
Division of Corporations

Letter Number: 699A00004453

Division of Corporations - P.O. BOX 6327 - Tallahassee, Florida 32314





I certify the attached is a true and correct copy of the Articles of Incorporation of INTERNET PROCESSING, CORP., a Florida corporation, filed on February 2, 1999, as shown by the records of this office.

I further certify the document was electronically received under FAX audit number H99000002540. This certificate is issued in accordance with section 15.16, Florida Statutes, and authenticated by the code noted below.

The document number of this corporation is P99000010089.

Given under my hand and the  
Great Seal of the State of Florida,  
at Tallahassee, the Capital, this the  
Second day of February, 1999

Authentication Code: 699A00004453-020299-P99000010089-1/1



CR2EO22 (1-99)

*Katherine Harris*  
Katherine Harris  
Secretary of State

3634

February 1, 1999

Secretary of State  
P.O. Box 6327  
Division of Corporations  
The Capital  
Tallahassee, FL 32314

RE: Incorporation Documents

Dear Sir:

Enclosed for filing is an executed copy of the Articles of Incorporation and an executed copy of the registered agent's written acceptance of his appointment as registered agent Internet Processing, Corp.

Please forward to me a copy of the documents showing the appropriate "Filed" and the time, day, month and year.

Very truly yours,



Mosaddeo Hossain

ARTICLES OF INCORPORATION OF  
Internet Processing, Corp.

The undersigned subscribes to these Articles of Incorporation, natural person, competent to contract, does hereby form a corporation for profit under the laws of the State of Florida. Corporate existence shall begin upon acceptance of these Articles. This corporation is to be a Small Business Corporation as defined in Section 1244 Subdivision (c)(2) of the Internal Revenue Code.

ARTICLE I. Name. The name of the corporation is  
Internet Processing, Corp.

ARTICLE II. Term of Existence. This corporation shall have perpetual existence.

ARTICLE III. Nature of Business. This corporation may engage in any activity or business permitted under the laws of the United States and of this State.

ARTICLE IV. Capital Stock. This corporation is authorized to issue 1000 shares with \$1.00 par value.

ARTICLE V. Voting Rights. Except as otherwise provided by law, the entire voting power for the election of Directors and for all other purposes shall be vested exclusively in the holders of the outstanding common shares.

ARTICLE VI. Preemptive Rights. Every shareholder upon the sale for cash of any new stock of this corporation of the same kind, class or series as that which he already holds, shall have the right to purchase his pro-rate share thereof (as nearly as may be done without issuance of fractional shares) at the price at which it is offered to others.

ARTICLE VII. Initial Registered Principal Office and Agent. The street address of the initial registered office of this corporation is: 2690 N Andrews Avenue, Wilton Manors, Florida 33311 and the name of the initial registered agent of this Corporation at that address is Mosaddeo Hossain.

ARTICLE VIII. Initial Board of Directors. The corporation shall have 1 Director(s) initially. The number of Directors may be either increased or diminished from time to time by the by-laws but never be less than one. The name and address of the initial Directors of this corporation is:

Mosaddeo Hossain  
2690 N Andrews Avenue  
Wilton Manors, Florida 33311

ARTICLE IX. Officers. The initial officers of the corporation will be: Mosaddeo Hossain/President, Treasurer and Secretary.

ARTICLE X. Incorporator. The person signing these Articles of Incorporation has the following name and address:

Mosaddeo Hossain  
2690 N Andrews Avenue  
Wilton Manors, Florida 33311

ARTICLE XI. By-Laws. The power to adopt, alter, amend or re-peal by-laws shall be vested in the Board of Directors and the shareholders.

ARTICLE XII. Amendment. The corporation reserves the right to amend or repeal any provisions contained in these Articles of Incorporation, or any amendment thereto, and any right conferred upon the shareholders is subject to this reservation.

ARTICLE XIII. The Street address of the Principal place of business is: 2690 N Andrews Avenue, Wilton Manors, Fl 33311.

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IN WITNESS WHEREOF, the undersigned subscriber has  
executed these Articles of Incorporation this 1st day of  
February 1999.

Mosaddeo Hossain (SEAL)

STATE OF FLORIDA

COUNTY OF BROWARD

BEFORE ME, the undersigned authority, personally  
appeared, Mosaddeo Hossain known to be and known by me  
to be the person who executed the foregoing Articles  
of Incorporation and he acknowledged before me that he  
executed the same for the use and purposes therein expressed.

WITNESS my hand and official seal this 1st day of  
February 1999.

Deborah L. Moran  
NOTARY PUBLIC

My Commission Expires: 2/13/99

Identification

Passport # F586435



DEBORAH L. MORAN  
My Commission CC438670  
Expires Feb. 13, 1999  
Bonded by NFNU  
800-224-8368

3638

CONSENT TO APPOINTMENT AS REGISTERED AGENT

TO: Secretary of State  
of Florida  
Division of Corporations Department of State  
Tallahassee, FL 32304

I, Mosaddeo Hossain, do hereby consent to serve as  
registered agent for the Corporation, Internet Processing,  
Corp. this 1st day of February, 1999.

  
\_\_\_\_\_  
Mosaddeo Hossain

Address of registered agent:

2690 N Andrews Avenue  
Wilton Manors, Florida 33311

( Internet Processing, Corp. )

MINUTES OF A MEETING OF DIRECTORS HELD AT 1:00 pm ON 2/12/1999

PRESENT: Mosaddeo Hossain (President, Treasurer, Secretary)

OPENING: A quorum being present, the Chairman declared the meeting open.

BANK OPERATIONS: RESOLVED THAT an account (hereafter called the "said account") in the Company's name be opened with European Bank Limited, Port Vila, Vanuatu branch

and further  
RESOLVED THAT transfers out of the account by cheque, telegraphic transfer, direct debit, letter, fax or email instruction be by  
Mosaddeo Hossain (Solely Signs)  
(state who is to sign and whether solely or jointly)

and that

Mosaddeo Hossain (Solely Signs)  
(state who is to sign and whether solely or jointly)

signing singly/jointly be empowered to endorse cheques, drafts, promissory notes and other negotiable instruments for and on behalf of the company

and further  
RESOLVED THAT the resolutions in the Bank's mandate for the opening of accounts as presented to this meeting be adopted and form part of this minute and the mandate be completed as required and forwarded to the Bank.

CLOSURE: There being no further business, the Chairman declared the meeting closed.

Signed as a correct record,

  
CHAIRMAN.

Name of Company : Inter Processing, Corp.

Registered Office: 2690 North Andrews Avenue Ft. Lauderdale, Florida 33312

To EUROPEAN BANK LIMITED

At a meeting of the directors duly held at 2690 North Andrews Avenue Ft. Lauderdale, Florida 33312

\_\_\_\_\_ on 12 February 1999 the following resolutions were passed :

1. That a current account/current account and deposit account be opened with EUROPEAN BANK LIMITED and any other account or accounts as may be subsequently directed by any Director/s or by Mosaddeo Hossain
2. That the Bank be instructed to honour and comply with all cheques, promissory notes and other orders drawn, and all bills accepted on behalf of the Company, whether the current account be in credit or overdrawn, to comply with all directions given for or in respect of any account or accounts of any kind whatsoever on behalf of the Company, and to accept and act upon all receipts for monies deposited with or owing by the Bank on any account or accounts in the name of the Company, provided that such cheques, promissory notes, orders, bills, directions or receipts are signed by any  
 † \_\_\_\_\_ Director/s or by \_\_\_\_\_
3. That any † 1 (One) Director/s or Mosaddeo Hossain be authorised to withdraw and deal with any of the Company's securities or property or documents of title thereto which may be deposited with the Bank for safe custody or in safe deposit from time to time, whether by way of security or otherwise.
4. That any † 1 (One) Director/s or Mosaddeo Hossain be authorised to arrange with the Bank for advances to the Company by way of discount, loans, overdraft or otherwise, and for the granting of credits and the issue of guarantees by the Bank from time to time as required, and to sign on behalf of the Company any form of deposit and withdrawal, Memorandum of Deposit, Letter of Trust, Mortgage, Hypothecation and Pledge relating to any securities or property or documents of title relating thereto to secure the said advances and any obligations, undertakings, instructions, guarantees, indemnities and counter-indemnities, and any other documents which may be required by the Bank in connection with the aforesaid facilities insofar as they are not by their nature required to be executed under the Common Seal of the Company.
5. That in the absence of any directions to the contrary, all accounts subsequently opened shall be operated and dealt with upon the terms set out above insofar as the same may be applicable.
6. That the Bank be forthwith supplied with a copy of the Company's Memorandum and Articles of Association (or equivalent document) and with a copy of each amending special resolution as soon as the same has been passed, and with sight of the Certificate of Incorporation and Certificate to Commence Business (if any).
7. That the Bank be supplied with a list of the names and specimens of the signatures of the Directors and any other person or persons authorised to sign on behalf of the Company, and be from time to time informed by notice in writing under the hand of the Chairman of the Company of any changes which may take place therein, and be entitled to act upon any such notice until the receipt of further notice under the hand of the Chairman of the Company.
8. That a copy of any resolution of the Board if purporting to be certified as correct by the Chairman of the Meeting shall as between the Bank and the company be conclusive evidence of the passing of the resolution so certified.
9. That all agreements, contracts, transactions, matters and things arising now or in the future out of or in connection with these resolutions shall be governed by and construed in accordance with British law as applicable in the Republic of Vanuatu or any laws replacing or amending the same pursuant to the Constitution of Vanuatu irrespective of the nationality or citizenship or country of incorporation of the Company or its directors, shareholders and officers as applicable.

\* Delete whichever is not applicable † Insert the words "one", "two" or as the case may be



10. That these resolutions be communicated to the Bank and remain in force until an amending resolution shall have been passed by the Board of Directors and a copy thereof certified by the Chairman of Meeting shall have been delivered to the Bank.

I HEREBY CERTIFY that the foregoing are true copies of the resolutions as entered in the Minute Book of the Company and are in accordance with the Articles of Association of the Company, or other constituent document.

Dated at 1:00pm this 12th day of February 1999.

Mosaddeo Hossain  
Director/Company Secretary



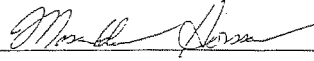
N.B. All alterations and deletions must be initialed by the officer completing this form.

#### Directors

Names of Directors in full

Specimen Signatures

Mosaddeo Hossain



\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

#### Other Authorised Signatories

Names of other persons authorised to sign as above, in full

Specimen Signatures

(CAPACITY) \_\_\_\_\_

\_\_\_\_\_

(CAPACITY) \_\_\_\_\_

\_\_\_\_\_

(CAPACITY) \_\_\_\_\_

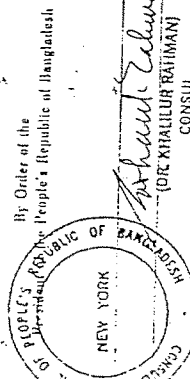
\_\_\_\_\_

পাসপোর্ট  
PASSEPORT  
PASSEPORT

There are to request and require in the name of the President of the People's Republic of Bangladesh all those whom it may concern to allow the bearer to pass freely without let or hindrance and to afford him/her every assistance and protection of which they may stand in need.



GIVEN NEW YORK day of NOV 18 1987



গণপ্রজাতন্ত্রী বাংলাদেশ সরকার  
GOVERNMENT OF THE PEOPLE'S REPUBLIC  
OF BANGLADESH

এই পাসপোর্টে ১৬ টি  
পৃষ্ঠা আছে  
This passport contains  
16 pages  
On passport number

পাসপোর্ট  
PASSEPORT  
পাসপোর্ট  
PASSEPORT  
গণপ্রজাতন্ত্রী বাংলাদেশ  
GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH

পাসপোর্ট নম্বর  
No. of passport  
পাসপোর্ট নম্বর  
No. of passport  
যাত্রকের নাম  
Name of bearer  
মোসায়েক হোসাইন  
Mossadeq Hossain  
পিতার/স্বামীর নাম  
Name of father/husband  
মোসায়েক হোসাইন  
Mossadeq Hossain  
অন্যদের সাথে যাত্রা করছেন  
Accompanied by  
মোসায়েক হোসাইন  
Mossadeq Hossain

জাতীয়তা  
Nationality  
বাংলাদেশি  
Bangladeshi

3642  
Redacted Information  
in Subcommittee Files

<p>বর্ণনা DESCRIPTION SIGNALEMENT</p> <p>পেশা Profession <u>Private Service</u></p> <p>জন্মের স্থান ও তারিখ Place and date of birth <u>Dacca, Jan. 02, 1937</u></p> <p>বর্তমান ঠিকানা Present address <u>BANGALORE</u></p> <p>উচ্চতা Height <u>5' 6"</u></p> <p>চোখের রঙ Colour of eyes <u>Black</u></p> <p>চুলের রঙ Colour of hair <u>Black</u></p> <p>বিশেষ চিহ্ন Visible distinguishing marks <u>Nil</u></p>		<p>ফটোগ্রাফের বহনকারী PHOTOGRAPHY BEARER PHOTOGRAPHIEUR TITULAIRE</p> <p>Signature of bearer <u>Mohd. Akbar Hossain</u></p> <p>এই পাসপোর্টের বৈধতা শেষ হবেঃ The validity of this passport expires: Ce passeport expire le: <b>NOV 17 1938</b></p> <p>নবায়ন করা বা হবে Unless renewed A moins de renouvellement</p>
---	--	---

Redacted Information  
in Subcommittee Files

এই পাসপোর্ট জন্ম তারিখ পর্যন্ত  
VALID FOR WHICH THIS PASSPORT  
IS VALID  
PAYS POUR LESQUELS CE PASSEPORT  
EST VALABLE

ALL COUNTRIES OF THE WORLD  
EXCEPT—ISRAEL, TAIWAN AND  
UNION OF SOUTH AFRICA



কিশোর-কিশোরী  
CHILDREN - ENFANTS

নাম  
Name

জন্ম তারিখ  
Date of birth

লিঙ্গ  
Sex

পিতার নাম  
Father's Name



RENEWALS  
RENOUVELLEMENTS

NO. 1053 SEP 22 1989

THE PASSPORT IS RENEWED UP TO

NOV 17 1992



Signature  
Minister of Foreign Affairs

3645

INSTRUCTIONS BY TELEPHONE, TELEX, FACSIMILE AND/OR E-MAIL

TO: EUROPEAN BANK LIMITED ("the Bank"), Port Vila, VANUATU

Re: A/C(s) Internet Processing Corp. (Mosaddeo Hossain)

I/We request the Bank to accept from time to time instructions in respect of the above account(s) made by telephone, or forwarded by telex or facsimile and/or E-mail transmission for the Bank to renew or uplift deposits, convert monies from one currency to another or to make payments by the means requested in favour of the beneficiary or beneficiaries as instructed by me/us (hereinafter called "Instructions").

I/We acknowledge that telephone, telex, facsimile and/or E-mail transmissions are not secure means of giving Instructions. I/We am/are aware of the risks involved and that my/our request to the Bank to accept Instructions forwarded by telex, telephone, facsimile and/or E-mail transmission is for my/our convenience.

I/We agree that wherever possible Instructions by facsimile transmission will be in the form of the Bank's printed application applicable to the particular transaction and current at the time and whether or not in such form shall be deemed to be subject to the terms and conditions on such printed form, copies of which are available from the Bank.

The Bank shall be under no obligation to accept any Instructions given by telex, telephone, facsimile and/or E-mail transmission and any such Instructions shall not be operative until accepted by the Bank. The Bank shall not be obliged to confirm to me/us the acceptance or rejection of any Instructions.

The Bank may at any time give notice to me/us that it will refuse to accept further Instructions given by telex, telephone, facsimile and/or E-mail transmission.

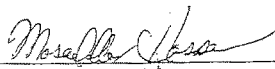
IN CONSIDERATION of the Bank from time to time accepting Instructions forwarded by telex, telephone, facsimile and/or E-mail transmission, I/we HEREBY UNCONDITIONALLY:-

- (a) Indemnify and keep indemnified the Bank from and against all actions, claims, demands, liabilities, obligations, losses, damages, costs (including, without limitation, legal fees and interest) and expenses of whatever nature (whether actual or contingent) suffered or incurred, sustained by or threatened against the Bank whatsoever and howsoever arising from or in connection with or in any way relating to the acceptance by the Bank in good faith of Instructions received by telex, telephone, facsimile and/or E-mail transmission purporting to be authorised by me/us or by my/our authorized signatory(s); and
- (b) Authorise the Bank to debit to any of my/our accounts with the Bank all and any amounts which may become payable to the Bank pursuant to the above indemnity.

Where this indemnity is given by two or more parties, the liability of such parties to the Bank hereunder shall be joint and several.

Dated at 1:00pm the 12th day of February 1999

\_\_\_\_\_  
Mosaddeo Hossain



\* delete if not applicable

3646

CLAIMS -- Transaction Display GINFOD CHACKE 30-MAR-00 19:  
FTNIXN 1 DDA 0 query type GID txn number: 1 catego

GID: LCK90910035400 Adj :  
Val dt : 01-APR-99 Db amt : 705,775.41/USD Status : FINAL  
Ins dt : 01-APR-99 Cr amt : 705,775.41/USD Prc typ : CCM PD  
Rem ref: C011000000002255 Rel ref: TXN typ : STD  
In src : CT MOP : FED  
In ref : Out ref: IMAD 990401B1Q8023C000086  
DBT: D 36121226 CDT: F  
EUROPEAN BANK LTD BANK ATLANTIC  
INTERNATIONAL BUILDING  
KUMUL HIGHWAY MIAMI FL  
PORT VILA VANAUTU  
RMOP:FED RMOA:TELEX MOA:LTR  
ORG: N N BNF: X 0055274292  
EUROPEAN BANK LIMITED INTERNET PROCESSING CORP  
PORT VILA, VANUATU

MOA:NOTSP  
Orig to bnf :B/O INTERNET PROCESSING CORP / OPCO

Redacted Information  
in Subcommittee Files

Bank to bank:/BNF/PROCEEDS OF CREDIT CARD //TRAN  
SACTIONS.

DR:D36121226 CR: [REDACTED]  
No Db auth :N Repair ID :  
Verify ID : Bene amt :0.00/USD  
Bene charge :NONE PAY:  
OGB:

INS: MOA:  
INT:

STRICTLY CONFIDENTIAL-NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

MOA:

-----  
inquiry note:

action p1 p2 CHACKE045555673 p3

3647

CLAIMS -- Transaction Display 0 GINFOD CHACKE 30-MAR-00 19:39:47  
FTNTXN 1 DDA 0 query type GID - txn number 1 category A

GID: LCK90990050800 Adj :  
Val dt : 09-APR-99 Db amt : 333,641.68/USD Status : FINAL  
Ins dt : 09-APR-99 Cr amt : 333,641.68/USD Prc typ : CCM PD  
Rem ref: C011000000002317 Rel ref: TXN typ : STD  
In src : CT MOP : FED  
In ref : Out ref: IMAD 990409BIQ8022C000138  
DBT: D 36121226 CET: F  
EUROPEAN BANK LTD BANK ATLANTIC  
INTERNATIONAL BUILDING  
KUMUL HIGHWAY MIAMI FL  
PORT VILA VANAUTU  
RMOP:FED RMOA:TELEX MOA:LTR  
ORG: N N BNF: X 0055274292  
EUROPEAN BANK LIMITED INTERNET PROCESSING CORP  
PORT VILA, VANUATU

MOA:NOTSP  
Orig to bnf :B/O INTERNET PROCESSING CORP

Redacted Information  
in Subcommittee Files

Bank to bank:/BNF/PROCEEDS OF CREDIT CARD //TRAN  
SACTIONS

DR:D36121226 CR: [REDACTED]  
No Db auth :N Repair ID :  
Verify ID : Bene amt :0.00/USD  
Bene charge :NONE PAY:  
OGB:

INS: MOA:  
INT:

STRICTLY CONFIDENTIAL-NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

MOA:

-----  
inquiry note:

action \_\_\_\_\_ p1 \_\_\_\_\_ p2 CHACKE045555182 \_\_\_\_\_ p3 \_\_\_\_\_

CG 000704

3648

Re: Fraud

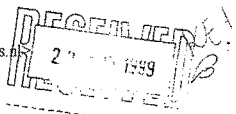
mailbox:/y%7C/data/email/mail/KEI?id=7726F6402D6.AAA2E80@smtp02.wxs.nl&number=98

Subject: Re: Fraud

Date: Wed, 21 Apr 1999 14:05:32 +0200

From: "TNT GlobalCollect" <tnt.globalcollect@wxs.nl>

To: "Kely Ihrig" <security@vanuatu.com.vu>



Hi Kely,

I checked the email address I gave you. I'm afraid this is the same address  
Cindy  
gave me.  
Please let me know if I can help you with this!  
Regards, Dorien

> From: Kely Ihrig <security@vanuatu.com.vu>  
> To: TNT.GLOBALCOLLECT@wxs.nl  
> Subject: Fraud  
> Date: Wednesday, April 21, 1999 6:27 PM  
>  
> TNT GlobalCollect wrote:  
>  
>  
> Hi Kely,  
>  
>  
> Last week I had a chat with Ms. Cindy Aeri of Suncoast Schools. She got  
our  
> phonenumber from the credit card processors.  
> She told me a about possible fraud of cardholders of your merchant:  
> Internet Processing Corp. (contract-id 766).  
> I think it is a good idea if you contact Cindy directly. Her e-mail  
address  
> is:  
> aerlc@ssfcu.org.  
>  
> Kind regards,  
> Dorien  
>  
> Dorien  
>  
> Thanks for the information. I tried contacting her through the email you  
> provided aerlc@ssfcu.org but it was returned as incorrect. Please check  
> the address and advise.  
>  
> Kely  
>

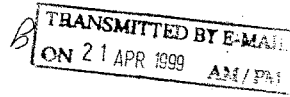


3649

Internet Processing

mailbox:/y%7C/data/email/mail/SENT?id=371DF71F.6EF1@vanuatu.com.vu&number=1

**Subject:** Internet Processing  
**Date:** Wed, 21 Apr 1999 09:04:47 -0700  
**From:** Kely Ihrig <security@vanuatu.com.vu>  
**Organization:** European Bank Limited  
**To:** aerlc@ssfcu.org



Ms. Cindy Aeri

I have been contacted from a credit card processing company regarding concerns that you have regarding possible fraud of cardholders. Would you please contact me on telephone number (678) 27700 in Vanuatu, reverse charges to discuss or send details of the suspected fraud.

Regards

Kely Ihrig  
Manager Operations

3650

Internet Processing

mailbox:/y%7C/data/email/mail/SENT?id=3720D989.4329@vanuatu.com.vu&number=3

Subject: Internet Processing  
Date: Fri, 23 Apr 1999 13:35:21 -0700  
From: Kely Ihrig <security@vanuatu.com.vu>  
Organization: European Bank Limited  
To: aelrc@ssfcu.org



Dear Cindy

I have not heard from you as yet and can only assume that is because of time differences. We would really like to discuss the credit card issue as one of the companies bankers. Please email me or fax me on (212)504-8111 in New York. Your assistance is greatly appreciated.

Regards

Kely Ihrig  
Manager Operations

3651

27/04 '99 17:20 FAX +31 20 5009600 TNT GLOBALCOLLECT

001/001

= URGENT =



TNT INTERNATIONAL MAIL

Facsimile transmission

GlobalCollect

Polarisavenue 17, 2132 JH Hoofddorp

P.O. Box 1001, 2130 GE Hoofddorp

The Netherlands

Tel: +31 20 500 8500

Fax: +31 20 500 9500

To  
European Bank  
Attn.: Kely Ihrig

Fax number  
+678 22884 / 23405

From  
Dorien Vroom

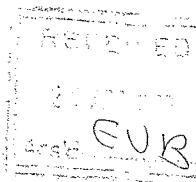
Telephone  
+31 20 5008603

Date  
April 27, 1999

Our reference  
TNT/DV

Number of pages  
1

Subject  
Fraud



Dear Kely,

Herewith I would like to inform you that today we received a phonecall from the credit card processor concerning possible fraud with credit cards you uploaded for merchant: Internet Processing Corp., contract-id number:0766.

The credit card processor told us they will stop processing credit card transactions for Internet Processing Corp..

I would like to advise you to stop forwarding credit card files for this account because TNT GlobalCollect/PTT Post will not process those particular files anymore.

If you prefer, we can send you a written confirmation of the credit card processor tomorrow.

Should you have any questions on the above, please do not hesitate to contact me.

Kind regards,

Dorien Vroom  
Operational Account Manager

cc. Pieter Stal, Corporate Account Manager  
Ron Vollebregt, Manager Corporate Accounts  
Arthur van der Putten, Manager Operational Account Management

3652

Re: Internet Processing Corp

mailbox:/y%7C/data/email/mail/INB...D.AAAC3B@smtp04.wxs.nl&number=191

**Subject:** Re: Internet Processing Corp  
**Date:** Wed, 28 Apr 1999 16:16:15 +0200  
**From:** "TNT GlobalCollect" <tnt.globalcollect@wxs.nl>  
**To:** "Kely Ihrig" <security@vanuatu.com.vu>  
**CC:** <intewbn4@ozemail.com.au>

Hi Kely,

Today we received a phonecall from International Credit Corporation (from curacao) concerning the possible fraud. We thought it would be best if this company should contact you directly. We supplied them your name, telephone- and faxnumber and email addresses.

Unfortunately, we have not received the written confirmation from the credit card processor yet. We will do our utmost to fax it to you tomorrow.

Kind regards,  
Dorien

-----  
> From: Kely Ihrig <security@vanuatu.com.vu>  
> To: TNT.GLOBALCOLLECT@wxs.nl  
> Cc: intewbn4@ozemail.com.au  
> Subject: Internet Processing Corp  
> Date: Wednesday, April 28, 1999 5:34 PM  
>  
> Dorien  
>  
> We have today received your facsimile dated 27 April 1999 concerning the  
> possible fraud for the above merchant advising us to stop processing.  
> This was done from our end last Friday and advised to the merchant and  
> our processor RnP Services in Brisbane.  
>  
> We are trying to gather information from Cindy Aeri, as advised by  
> yourself, however with the limited information you supplied we have been  
> so far unsuccessful.  
>  
> Obviously you have received some more disturbing news and we would  
> appreciate you sharing this information with us so that we can further  
> our investigations from this end.  
>  
> Regards  
>  
> Kely

3653

Page: 1 Transaction Detail Report

Date: 04/22/99 Time: 15:11

Customer Transfer

Transaction Queue Sent

Customer Reference C011000000002455

PreFormat Ref. 1160

Customer Information 99-00413

Priority Wire NO

Ordering Customer European Bank Limited  
Port Vila, Vanuatu

Debit Account Number 36121226

Urgent NO  
Cash FI Mgt. Citibank NY

Account Description EUROPEAN BANK LIMITED

Value Date/Ccy/Amount 04/22/99  
USD  
728,098.90

Beneficiary's Name INTERNET PROCESSING CORP

Beneficiary's Account 0055274292

Intracompany NO

Beneficiary's Bank Name BANK ATLANTIC,  
FORT LAUDERDALE,  
FLORIDA 33010,  
U.S.A.

Beneficiary's Bank Code

SWIFT Code

Intermediary Bank Name

Intermediary Bank Code

SWIFT Code

Bank to Bank Information /BNF/PROCEEDS OF CREDIT CARD  
//TRANSACTIONS

Payment Details B/O INTERNET PROCESSING CORP

Charges Default

Redacted Information  
in Subcommittee Files

3654

*Robert*

317

FAX: (02) 92393322

CITISERVICE

**INVESTIGATION FORM**

**CITIBANK** 

To: Citibank Limited A.C.N. 004 325 080

Date: 23 April, 1999

To: Citiservice Australia,

Fax: 00612 9239 3322 Tel: 1300 362 100

From: Company European Bank Ltd

Contact Name: Kely Ihrig

Amt & ccy: US\$ 728,098.90

Contact Number: (678) 27700

Our Ref: 99-00413

Find attached Transaction Detail Report for our payment in relation to the following request (tick request):

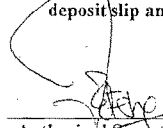
- ☐ Beneficiary Claims Non Receipt, please trace destination of payment, and effect with good value.
- ☒ Payment sent in error ~~or duplicated~~, please recall this payment and return to our account (authorised signatures required).
- ☐ Payment sent in error, please recall & re-effect the payment, amendments highlighted on the transaction report (authorised signatures required).
- ☐ Please CANCEL the attached payment and ensure that it is not processed by Citibank. We understand that this request is on a best effort basis. (authorised signatures required).
- ☐ We have sent this payment late. Please back value the attached payment to this date: \_\_\_\_\_ and debit costs to our account. (authorised signatures required)


Find attached our Statement highlighting the item in relation to the following request (tick request):

- ☐ Provide us with further details on this item as we are unable to apply these funds.
- ☐ Please accept this as our debit authority and return the payment to the remitter as it has been sent to us in error and we are unable to apply. (authorised signatures required)

Find attached our Deposit slip and credit listing in relation to the following request (tick request):

- ☐ There is a discrepancy between the amount that we have deposited as shown on our deposit slip and the amount credited to our account.

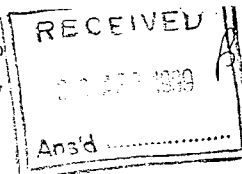
  
\_\_\_\_\_  
Authorised Signature  
(if applicable)

  
\_\_\_\_\_  
Authorised Signature

3655

Citibank Limited  
ACN 004 325 080

Citibank Centre  
1 Margaret Street  
Sydney NSW 2000  
GPO Box 40  
Sydney NSW 1027



ATTACHMENT 10

CITIBANK

*Facsimile*

To: European Bank  
Attn: Kely Ihrig

Fax: 678-23405

Date: 30 April 1999

Re: INVESTIGATION UPDATE

From: Robert Adland

Fax: (02) 9239 3322

Phone: 612-9239-3565

No. of Pages (including cover): 1

Re: USD 728,098.90 dated 22Apr99

Kely,

With regards to above payment FFC Internet Processing Corp, Bank Atlantic confirms contacting beneficiary and requesting debit authority. They will revert as soon as possible.

We await their response.

Regards  
Robert Adland  
Citiservice Australia  
Ref: 80188

This facsimile transmission contains confidential information of Citibank Limited intended only for the use of the individual(s) named on the transmission sheet. If you are not the intended recipient, you are hereby notified that any disclosure, copying, distribution or the taking of any action in reliance on the contents of this facsimile transmission is strictly prohibited. If you have received this transmission in error, please notify us by telephone immediately so that we can arrange for the return of the documents to us at no cost to you.

22033226 2 199

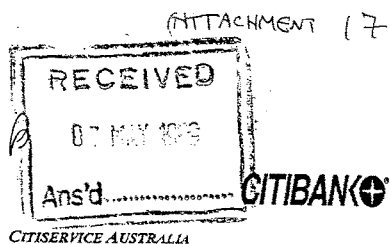
67:71:65-7 -22  
65:41 66/00/00

3656

Citibank Limited  
ACN 004 325 030

Citibank Centre  
1 Margaret Street  
Sydney NSW 2000  
GPO Box 40  
Sydney NSW 1027

*Facsimile*



To: European Bank  
Attn: Kely Ihrig-EUB/30-4-99

Fax: 678-23405

From: Robert Adland

Date: 07 May 1999

Fax: (02) 9239 3322

Re: INVESTIGATION UPDATE

Phone: 612-9239-3565

No. of Pages (including cover): 1

Re: USD 728,098.90 dated 22Apr99

Kely,

Our New York office has again contacted Bank Atlantic for an update regarding the recall of above payment FFC Internet Processing Corp. They have responded saying that they have contacted beneficiary for a debit authority and await their reply.

We await their reply

Regards  
Robert Adland  
Citiservice Australia  
Ref: 80188

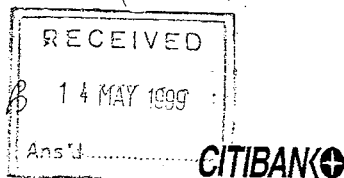
This facsimile transmission contains confidential information of Citibank Limited intended only for the use of the individual(s) named on the transmission sheet. If you are not the intended recipient, you are hereby notified that any disclosure, copying, distribution or the taking of any action in reliance on the contents of this facsimile transmission is strictly prohibited. If you have received this transmission in error, please notify us by telephone immediately so that we can arrange for the return of the documents to us at no cost to you.



3657

Citibank Limited  
ACN 004 325 080

Citibank Centre  
1 Margaret Street  
Sydney NSW 2000  
GPO Box 40  
Sydney NSW 1027



Facsimile

CITISERVICE AUSTRALIA

To: European Bank  
Attn: Kely Ihrig/EUB/30.4.99

Fax: 678-23405

From: Robert Adland

Date: 13 May 1999

Fax: (02) 9239 3322

Re: INVESTIGATION UPDATE

Phone: 612-9239-3565

No. of Pages (including cover): 1

Re: USD 728,098.90 dated 22Apr99

Kely,

Despite several requests to Bank Atlantic they have yet to receive a debit authority from Internet Processing Corp to return above funds.

Please advise if you still require us to chase these funds.

Regards  
Robert Adland  
Citiservice Australia  
Ref: 80188

14/5/99 Answered Robert to  
discontinue chase.

This facsimile transmission contains confidential information of Citibank Limited intended only for the use of the individual(s) named on the transmission sheet. If you are not the intended recipient, you are hereby notified that any disclosure, copying, distribution or the taking of any action in reliance on the contents of this facsimile transmission is strictly prohibited. If you have received this transmission in error, please notify us by telephone immediately so that we can arrange for the return of the documents to us at no cost to you.

3658

Facsimile

ATTACHMENT 28

CITIBANK

EUROPE/ASIA CUSTOMER SERVICE

To: Kely Thrig

Fax: 678 22884

Date: 25 May, 1999

Your Ref: RUB/20-5-99

From: Ciaran Moylan

Fax: 353 1 6114063

TMS

Kely has copy

Dear Kely,

As per your fax which was received by me late last week, please be advised of the following time frame in relation to the promptness of our action in relation to your urgent request for payment of USD 728,098.90 on APR 22<sup>nd</sup>.

Our system received telex message from Darren Kerr at Citiservice Australia on APR 23<sup>rd</sup> at 08.19 Dublin time (03.19 N.Y time). A file on this matter was set up automatically by our system.

Same day at 14.49 Dublin time (09.49 N.Y time) an urgent FED return of funds message was sent by myself to Bank Atlantic in Miami.

A reply to the above mentioned message was sent by Bank Atlantic on APR 26<sup>th</sup> advising us that they acknowledge our urgent request and that they are currently trying to contact beneficiary in order to obtain debit authority on our behalf.

The next reply we received from Bank Atlantic was sent yesterday MAY 24<sup>th</sup> in reply to our subsequent requests for an update on their file. Unfortunately they have advised us that on same day funds entered beneficiary account said funds were transferred out. Subsequently account has since been closed and Bank Atlantic have been unsuccessful in their attempts to locate beneficiary.

I hope this fax is an acceptable summary of events. We have advised Robert Adland in Sydney to advise you of Bank Atlantic's message that was received yesterday.

We have now closed our file as there is little more we can do from this end.

Thank you for your patience.

Ciaran Moylan  
Ciaran Moylan.

3659

*Facsimile*

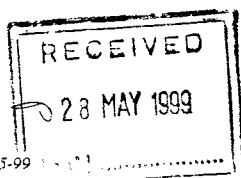
ATTACHMENT 30  
**CITIBANK**

To: Kely Ibrig

Fax: 678 22884

Date: 27 May, 1999

Your Ref: EUB/26-5-99



EUROPE/ASIA CUSTOMER SERVICE

From: Ciaran Moylan

Fax: 353 1 6114063

Dear Kely,

In relation to your new fax which I received on May 27<sup>th</sup>, please see the details you request listed below.

- 1) Payment instruction was received by our Funds Transfer department at 0105 (N.Y Time) from your bank.
- 2) Funds were credited to Bank Atlantic at same time 0105 (N.Y Time).
- 3) Please be advised that we do not issue credit advice to FED banks.
- 4) Please see below copy of the FEDADMIN message we sent at 0407 (N.Y Time) to Bank Atlantic.

MESSAGE DATE : 23-APR-99      GID      : E1091130020301  
TXN AMOUNT : 728,098.90/USD      IMAD      : 19990423B1Q8023C005310  
RCV/SND ID : 267083763      DEBIT DDA ACCT : 111111  
SENDER REF : E1091130020301      I/O      : O

{1500} SENDER SUPPLIED INFO  
02      () P(PROD) (ORG)  
{1510} TYPE/SUBTYPE CODE  
10(THIRD PARTY TFR) 07(REQUEST FOR PREV DAY REVERSAL)  
{1520} IMAD  
19990423B1Q8023C005310  
{2000} AMOUNT  
000072809890  
{3100} SENDER DI  
021000089CITIBANK  
{3320} SENDER REFERENCE  
E1091130020301  
{3400} RECEIVER DI  
267083763BANKATLANTIC  
{3600} BUSINESS FUNCTION  
SVC(SERVICE MESSAGE)  
{9000} FREE FORMATTED TEXT  
ATTN:CITI NY REF:132-23APR99 RE OUR E  
D DT 22APR99 5728,098.90 REF:0060 P  
LS RETURN FUNDS AS THEY WERE NOT INTEND  
ED FOR U NO INDEMNITY INTENDED

.....  
I hope this information will be of some use to you.

3660

Page 2  
CIARAN MOYLAN  
May 27, 1999

**CITIBAN**

Have a good day.  
Best regards,

---

Ciaran Moylan.

From: "Email" <email@vanua-tu.com>  
 To: <imb@vanua-tu.com>  
 Date: Fri, Jun 18, 1999 3:08 AM  
 Subject: Re: Internet Processing Corp.

As to the original opening deposit of \$1,500.00. This deposit opened the account on February 5, 1999 and was wire to European Bank in Vanuatu on February 23, 1999 to account # 36121226. As to the wire recall requests, I understand they were verbal but still attempting to ascertain if any written record exists. Thank you for your good wishes.

-----Original Message-----

From: Tom Bayer <TMB@vanua-tu.com>  
 To: dhenbest@bankatlantic.com <dhenbest@bankatlantic.com>  
 Date: Wednesday, June 16, 1999 12:54 AM  
 Subject: Internet Processing Corp.

Dear Mr. Henbest:

Thank you for latest Email re Internet Processing Corp.

Thank you also for undertaking to check what was included in the "package" that was faxed to us. To assist you:

1. You provided to us the response of Bank Leumi on 20 May to BKAtlantic's request, but not the copy of BKAtlantic's original request (or requests) to them.
2. Similarly, you have provided to us the BKNYC's response of 19 May to BKAtlantic's request (or requests) to them, but we did not receive copies of the original request(s) from BKAtlantic to them.
3. In the "package" you kindly sent by fax, we received:
  - a. Message BKNYC to BKAtlantic value dtd 1999-05-17. The message refers to BKAtlantic's message IMA 0086 but we can't tell who BKNYC is responding on behalf of (Bank Leumi or Union Bank, or some other bank).
  - b. Message from Bank Leumi to BKAtlantic value dtd 1999-05-20 which refers to BKAtlantic's recall of the payment made 4/5/99 but does not reference when the recall was received by Bank Leumi.
  - c. Swift message 99-05-19 from BKNYC to BKAtlantic referring to BKAtlantic's wire transfer 990412 but no reference to when Union BK received the recall request.
  - d. Swift message 99-05-19 from BKNYC to BKAtlantic referring to BKAtlantic's wire transfer 990421, but no reference to when Union Bank received the recall request.
  - e. Swift message 990519 from BKNYC to BKAtlantic referring to BKAtlantic's wire transfer 990426 but no reference to when Union Bank received the recall request.
  - f. BKAtlantic's message to Citibank dtd 1999-02-23 re the wire to

3662

Tom Bayer - Re: Internet Processin Corp.

Page 1

ourselves of US\$1,500.00.

We are trying to establish when Bank Leumi and Union Bank received the recall messages and thus would appreciate obtaining copies of BKAtlantic's request(s) to them. It may be that they did not act on BKAtlantic's requests when they received them. If you could fax us copies of the recall requests, we would be very appreciative.

Good luck in your new position with Washington Mutual. Your cooperation and assistance has been a big help to us.

Yours Sincerely,

Thomas M. Bayer  
Executive Chairman

tmb@europeanbank.net

PS Were you able to determine the amount of the opening deposit of IPC with BKAtlantic?

3663



## European Bank Limited

International Building,  
P O Box 65,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone: (678) 27700  
Fax : (678) 22884  
Telex : (771) 1023 EURTRUST NH  
Email : Security@Vanuatu.com.vu

150

### Facsimile Message

TO: Mr Galia Maor, General Manager & CEO  
COMPANY: Bank Leumi le Israel BM, Tel Aviv Israel  
FROM: Douglas M Peters

FAX NO: (972) 35661872  
REF/DATE: EUB/ 7-05-99  
PAGE NO: 1/2

#### SUSPECTED FRAUD URGENT!

Dear Mr Maor,

Account No. : 10964-21612/36  
Account Name : Abia Hallak

We refer to the above account in your books, and one or several transfers totalling around USD706,800.00 effected during April 1999 by Bank Atlantic, Fort Lauderdale, Florida, USA to the credit of the above account. The said funds transferred to your bank represent the proceeds of credit card clearings with the Visa, Mastercard, American Express and Diners Club organisations effected through our own bank, and have been reported by these organisations as fraudulently obtained against cardholders based mostly in North America.

The alleged fraud is being investigated by the USA's Federal Bureau of Investigation and Secret Service in the state of Florida, primarily the latter as this is their area of jurisdiction.

We received the proceeds of these credit card clearings and on instructions supplied to us, these funds were remitted to Bank Atlantic and in turn transferred to the above account with yourselves.

We wish to put you on notice of this suspected fraud with the hope that you will be able to freeze the account as well as the funds received on it and report this incident urgently to your local crime authority to be investigated.

Bank Atlantic, which is one of the banks in the chain used by the alleged fraudsters, will be contacting you shortly to confirm this allegation. For your additional information, Bank Atlantic's contact details are as follows:

Mr Donald Henbest, Security Officer  
Bank Atlantic, Fort Lauderdale, Florida USA  
Tel (1954) 9848790  
Fax (1954) 5234834  
Email dhenbest@bankatlantic.com

Furthermore we give you below the name and telephone number of the contact with the Secret Service responsible for the investigation, we will pass on fax and email numbers when they are to hand.

Special Agent Donald Douglas  
United States Secret Service  
Tel (1305) 4701503

3664

We should be grateful for your full and urgent cooperation with this matter and remain at your disposal for further information in need.

Would you please confirm to us by return fax, your position and actions in this matter.

We look forward to hearing from you.

Yours sincerely



Douglas M. Peters  
Snr Vice President Operations

Cc: The Governor  
Bank of Israel  
Tel Aviv, Israel  
Fax (9723) 613518 ✓

Cc: Mr Donald Henbest  
Bank Atlantic  
Fort Lauderdale, Florida USA  
Fax (1954) 5234834 ✓

TRANSMITTED BY FAX  
ON 7-5-99



3665



## European Bank Limited

International Building,  
P O Box 65,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone: (678) 27700  
Fax : (678) 22884  
Telex : (771) 1023 EURTRUST NH  
Email : Security@Vanuatu.com.vu

### Facsimile Message

972. 3. 5148111

TO: <sup>Mrs</sup> ~~Mr~~ Galia Maor, General Manager & CEO  
COMPANY: Bank Leumi le Israel BM, Tel Aviv Israel  
FROM: Douglas M Peters

FAX NO: (972) 35661872  
REF/DATE: EUB/ 14-05-99  
PAGE NO: 1/3

### SUSPECTED FRAUD URGENT!

Dear Mr Maor,

Account No. : 10964-21612/36  
Account Name : Abia Hallak

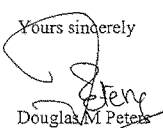
Exec. V P : ~~Shlomo Handel~~  
Int. D.V. : ~~Shlomo Handel~~

We refer to our facsimile of 7 May 1999, copy of which we enclose, and it appears that to date we have not received any response. Since the matter is of a fraudulent nature and therefore urgent, we propose to call you mid morning your time today.

Yours sincerely

14/5 5pm

Spoke to MR Cedric Olivestone  
Senior Vice President  
International Operations

  
Douglas M Peters  
Snr Vice President Operations

Matter handled by him (direct TEL  
Line 972 5148039) with his Bank's  
Legal Dept. He promised to come  
back to us by fax by Wednesday  
Morning (our time) or the latest.  
He is on the matter & to the best  
of his ability & within the legal  
constraint he has he will be as  
clear & helpful as possible.

3666

18-MAY-1999 11:39 FROM

972 3 5149009

TO

0067822884 P.01/01



Bank Leumi - Bank of Israel

International Division  
Financial Institutions Group  
35 Yehuda Halevi Street  
65136 Tel Aviv  
Israel

Tel: 972 3 514 8639  
Fax: 972 3 514 9009

FAX

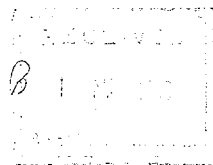
To: European Bank Limited  
Port Vila, Vanuatu  
Southwest Pacific

Fax: 00 678 22884

Attn: Mr. Douglas M Peters  
Senior Vice President Operation

Date: May 18, 1999

Ref: CJO/BS/ad/7251



Dear Mr. Peters;

We refer to your facsimile message dated May 7<sup>th</sup> 1999, pertaining to a suspected fraud, connected to an account with our bank (account # 10-964-21612/36).

Our bank received value 6<sup>th</sup> April 1999, the amount of USD 700,000, which was credited to the said account at our bank.

We understand that value 9<sup>th</sup> April 1999, the said funds were paid to the account holder.

Sincerely yours,

Cedric J. Olivestone  
Senior Vice President  
Head of Financial Institutions Group

Barry Simon  
Regional Manager  
Financial Institutions Group

3667



## European Bank Limited

International Building,  
P O Box 65,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone: (678) 27700  
Fax : (678) 22884  
Telex : (771) 1023 EURTRUST NH  
Email : Security@Vanuatu.com.vu

Our Ref: 1128TMB

2<sup>nd</sup> June 1999

Mr. Cedric J. Olivestone  
Senior Vice President  
Head of Financial Institutions Group  
Bank Leumi  
International Division  
35 Yehuda Halevi Street  
65136 Tel Aviv  
ISRAEL

Dear Mr. Olivestone

**RE: Your Account No. 10-964-21612/36**

Thank you for your fax of 18 May in response to our fax of 7 May concerning the proceeds of credit card fraud committed by Internet Processing Corp. of Florida, USA and/or its principal, Mr. Masaddeo Hossain, a Bangladesh national.

We are attempting to trace the funds and note that you indicated that US\$700,000 was paid to the account holder on 9<sup>th</sup> April 1999.

Can you advise if the payment to the account holder was by way of cash notes or by way of telegraphic transfer. If by telegraphic transfer, can you advise the bank details of the beneficiary?

Since last corresponding with you, it has been determined that the total of fraudulent charges that were filed for processing was approximately US\$ 13 million, of which US\$3,500,000 was processed before the fraud was discovered.

The USA Secret Service are attempting to trace within the USA the activities and movements of the Mr. Hossain. We had previously given to you Special Agent Donald Douglas's phone number. His direct number has now changed to (1-305) 629-1816. His direct fax number is (1-305) 9629-1830.

3668

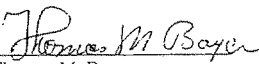
Mr. Cedric J. Olivestone  
Senior Vice President  
Head of Financial Institutions Group

Page 2

2nd June 1999

Any assistance you are able to provide us would be greatly appreciated. Alternatively you could provide the information to Mr. Douglas at the USA Secret Service.

Yours Sincerely.

  
Thomas M. Bayer  
Executive Chairman

cc: The Governor  
Bank of Israel  
Tel Aviv, Israel  
Fax (9723) 613-518

EX1JENT08EUB/C01128000/cwpd

3669

18-JUN-1999 12:20 FROM 972 3 5149009 TO 0067822884 P.01/01  
BANK LE MIT BAR / PIZ

International Division  
Financial Institutions Group  
35 Yehuda Halevi Street  
65136 Tel Aviv  
Israel

Tel: 972 3 514 8563  
Fax: 972 3 514 9009

FAX

To: European Bank Limited  
Port Vila, Vanuatu  
Southwest Pacific

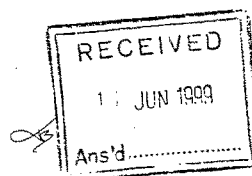
Fax: 00 678 22884

Attn: Mr. Thomas M. Bayer - Executive Chairman

Date: June 10, 1999

Ref: BS/ad/7382

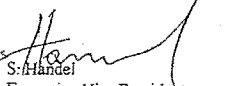
Re: Account # 10-964-21612/36

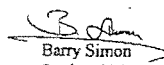


Dear Mr. Bayer:

Further to our fax message to you dated May 18<sup>th</sup> 1999, and your subsequent fax to ourselves of June 2<sup>nd</sup> 1999, kindly be advised that under Israeli law, banks owe a strict duty of confidentiality to their customers, which prevents us from providing any additional information other than by compulsion of law.

Sincerely yours,

  
S. Handel  
Executive Vice President  
Head of International Division

  
Barry Simon  
Regional Manager  
Financial Institutions Group

080-96 7.95

TOTAL P. 01

3670

138



## European Bank Limited

International Building,  
P O Box 65,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone: (678) 27700  
Fax : (678) 22884  
Telex : (771) 1023 EURTRUST NH  
Email : Security@Vanuatu.com.vu

### Facsimile Message

TO: Mr Isam Salfiti, General Manager  
COMPANY: Union Bank for Savings & Investment, Jordan  
FROM: Douglas M Peters  
FAX NO: (962) 65666149  
REF/DATE: EUB/ 7-05-99  
PAGE NO: 1/2

#### SUSPECTED FRAUD URGENT!

Dear Mr Salfiti,

Account No. : 9085USD  
Account Name : Paul Al Marjai  
Branch : Zarka

We refer to the above account in your books, and one or several transfers totalling around USD1,420,300.00 effected during April 1999 by Bank Atlantic, Fort Lauderdale, Florida, USA to the credit of the above account. The said funds transferred to your bank represent the proceeds of credit card clearings with the Visa, Mastercard, American Express and Diners Club organisations effected through our own bank, and have been reported by these organisations as fraudulently obtained against cardholders based mostly in North America.

The alleged fraud is being investigated by the USA's Federal Bureau of Investigation and Secret Service in the state of Florida, primarily the latter as this is their area of jurisdiction.

We received the proceeds of these credit card clearings and on instructions supplied to us, these funds were remitted to Bank Atlantic and in turn transferred to the above account with yourselves.

We wish to put you on notice of this suspected fraud with the hope that you will be able to freeze the account as well as the funds received on it and report this incident urgently to your local crime authority to be investigated.

Bank Atlantic, which is one of the banks in the chain used by the alleged fraudsters, will be contacting you shortly to confirm this allegation. For your additional information, Bank Atlantic's contact details are as follows:

Mr Donald Henbest, Security Officer  
Bank Atlantic, Fort Lauderdale, Florida USA  
Tel (1954) 9848790  
Fax (1954) 5234834  
Email dhenbest@bankatlantic.com

Furthermore we give you below the name and telephone number of the contact with the Secret Service responsible for the investigation, we will pass on fax and email numbers when they are to hand.

Special Agent Donald Douglas  
United States Secret Service  
Tel (1305) 4701503

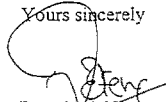
3671

We should be grateful for your full and urgent cooperation with this matter and remain at your disposal for further information in need.

Would you please confirm to us by return fax, your position and actions in this matter.

We look forward to hearing from you.

Yours sincerely



Douglas M. Peters  
Snr Vice President Operations

Cc: The Governor  
Central Bank of Jordan  
Amman, Jordan  
Fax (962) 65638889

Cc: Mr Donald Henbest  
Bank Atlantic  
Fort Lauderdale, Florida USA  
Fax (1954) 5234834

EX MESSAGE TELEX MESSAGE TELEX MESSAGE TELEX MESSAGE

280454 PTS  
049321875+  
21875 U8SI JO  
55023 EURTRUST

TLX 21875 U8SI JO  
TO : UNION BANK FOR SAVINGS AND INVESTMENT, JORDON  
FROM: EUROPEAN BANK LTD, VANUATU  
ATTN: MR ISAM SALFITI, GENERAL MANAGER

SUSPECTED FRAUD                      URGENT  
=====

DEAR MR SALFITI,

ACCOUNT NO. : 9085USD  
ACCOUNT NAME: PAUL AL MARJAI  
BRANCH : ZARKA

I AM SEEKING YOUR ASSISTANCE AS A RESULT OF OUR RECENT TELEPHONE CONVERSATION. WE HAVE BEEN UNSUCCESSFUL IN CONTACTING YOU BY FAX. WE WOULD LIKE TO TAKE UP YOUR VERBAL OFFER WHEREBY YOU VOLUNTEERED TO ASSIST US IN ANY WAY POSSIBLE WITH OUR ENQUIRIES INTO THIS MATTER AND WOULD APPRECIATE YOUR ANSWER TO THE FOLLOWING QUESTIONS:

- COULD YOU ADVISE THE EXACT AMOUNT, DATE AND TIME THE FUNDS WERE RECEIVED WITH RESPECT OF THE LAST REMITTANCE.
- DO YOU KNOW WHICH US CORRESPONDENT WERE USED IN THE CHAIN TO REMIT FUNDS FROM BANK ATLANTIC TO YOURSELVES?
- DID YOU RECEIVE ANY NOTIFICATION FROM BANK ATLANTIC, OR ANY OTHER SOURCE ASIDE FROM OURSELVES, THAT THE FUNDS REMITTED TO THE ABOVE ACCOUNT WERE PROCEEDS OF A FRAUD. IF SO BY WHOM AND WHEN.

THANK YOU VERY MUCH FOR ALL YOUR TIME AND HELP IN THIS MATTER. WE GREATLY APPRECIATE YOUR COOPERATION AND UNDERSTANDING.

YOURS SINCERELY

DOUGLAS M. PETER  
SNR VICE PRESIDENT OPERATIONS

\*  
21875 U8SI JO  
55023 EURTRUST  
AAD 004.0

=  
-0=04:33-S:18A-07:52-RFD:OK 0

TELEX MESSAGE TELEX MESSAGE TELEX MESSAGE TELEX MESSAGE



Tel Call with

MR. ISAM SALFATI

11.15 PM

18/5/99

GM



 Union Bank for Savings & Inv.  
 Jordan

- Money withdrawn from the some 2 weeks before our fax most of it in USD cash
- He (Salfati) closed the A/C (Client was upset) he did not want to have such the
- Under Jordanian law he could not freeze the A/C without a court order as Police / <sup>Interpol</sup> ~~Police~~ investigation (!)
- He recommended a Jordanian lawyer
- He is prepared to help the best way possible.
- He exceeded what he could tell us know on the phone
- ✓ He will fax a reply.
- (what is not clear is how much was still on the A/C if BK closed it).

 DWP  
 1

3674

ATTACHMENT 21

**Union Bank**  
For Savings & Investment



بنك الاتحاد

RECEIVED

18 MAY 1999

**Fax**

To: Mr. Douglas M. Peters

From: Isam Salibi - General Manager

Bank: European Bank Ltd.

Date: 18 May, 1999

Fax: 678-22884

Phone: 18 May 1999

Re: Mr. Paul Al Marjai

Pages: 1

☐ Urgent ☐ For Review ☒ Please Comment ☐ Please Reply ☐ Please Recycle

• Comments:

Reference is made to your facsimile message ref. EUB / 7-05-99 and would like to point out the following:

Upon receipt of your fax under reference we seized all dealing with Mr. Paul Al Marjai and closed his accounts with us.

Unfortunately, we were unable to freeze the funds received as the client has already withdrawn the funds transferred to his account. Furthermore, please note that according to our law, we cannot freeze any funds without a court order.

Regards,

Head Office

الإدارة العامة

ص.ب. ١١١٨٠ عمان ٣٠١٠٤  
Tel. 5607011 Fax. 5666149 Tlx. 21875 UBSI JO P.O. Box 3570 Amman 11180 Jordan

٢٠١

962 6 5623012  
UNION BANK-TREASURY DEPT. - 90067022884#7090

18/05/99 14:27

Diary Note  
26 May 89

I have been chasing Special Agent Donald Douglas during which time he has been busy on other cases and is being reassigned and he does not know who will be assigned to our case. They have moved to other offices and their phones were not connected (and the old phones did not give any forwarding number and the fax number just rang without answering at all.

I finally spoke to him for about a half hour today. In summary they have not done anything. They have traced his Florida driver's license and have a residential address, but it does not appear that Hossain lives there. They have visited the address on his company's letterhead but it is just a small fast food store (which I told them as my brother, at my request had already visited the location and it was his report that caused us to stop processing).

They say they can't ask Bank Atlantic any questions without a court order and can't monitor his Email address without a court order and gave no indication that they intended to seek such an order.

We told them we thought Hossain had obtained his credit card information and they had interviewed the company, but the manager said she did not think it was any of her employees. We did not suggest it was, but it was she who volunteered that their data bank appeared to have been corrupted because there were hundreds of false charges coming through them (they are a consolidator for merchants). We thought they would be a good lead. I suspect that they don't want to be dragged into the mess.

Mr. Douglas said that because the funds appear to have left the country (I provided to him the letters we got back from the banks in Israel and Jordan so he knew for certain where the money had gone), he expected the case would be handed over to their international dept. He added that the international dept dealt mainly with South America and didn't do much in "Europe".

I asked if they had Email, and he said no, but they hoped to get it soon.

He said they intended to interview the people at the home for which they had the address, but he had several other matters he was working on so it would probably be next week.

With all of that as background, it is clear to me that we can't rely on them. I need someone to find out who opened the accounts at the two banks (see the attached letters for details) and can those people be tracked down.

I think Bank Leumi may assist if properly approached, but Union Bank is a very small bank (perhaps smaller than us) and apparently owned and run by Salfiti family. They seem to make up almost all the executive team. I think it most unusual to use such a bank unless there was a pre existing relationship. On the phone, Mr. Salfiti said that when they received our fax, they called in the client and told them to close his account and he did so, taking it in cash. It smells fishy to me.

Is

3676

Citibank Limited  
A.C.N. 004 325 080

Citibank Centre  
1 Margaret Street  
Sydney NSW 2000

GPO Box 40  
Sydney NSW 1027  
Australia

Tel (02) 9239 9100

7/10/99 17.5  
STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

Fax (02) 9239 4760

May 17 1999

Mr. R Bohn,  
Managing Director,  
European Bank Limited  
Box 65,  
Port Vila,  
Vanuatu

Dear Robert,

I am writing to you in connection with the recent events that may leave European bank with a substantial potential loss.

Doug Peters has indicated that Tom Bayer will be personally covering the end figure. Nonetheless, Citibank feels it would like to have an understanding of what has actually happened, and what will be done to avoid a repeat, given that we have placed very considerable weight on European Bank's management and processes in support of a continued relationship with you.

Perhaps you could also indicate the accounting treatment and likely timing thereof.

Yours sincerely



Chris Moore  
Vice President

CG 004515

3677

Moore, Chris

From: Moore, Chris  
Sent: Tuesday, May 18, 1999 11:13 AM  
To: Fancourt, Tim  
Cc: Henderson, Paul  
Subject: European Bank

STRICTLY CONFIDENTIAL - NOT FOR  
CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

I have written to Robert Bohn re the potential loss of \$2mm plus, and spoken with him. He advises the following, and will write to us as soon as there is more clarity on outcomes.

The problem relates to a credit card clearing operation recently set up. Its definitely fraud, but Robert didnt explain exactly how it has been perpetuated. They did not intend to take any clean risk, but appear to have released funds against collections that never arrived. We will get details in due course. They did run checks against their customer, and think they may have a case against Bank Atlantic in the USA, who provided a valued customer statement, without advising that the customer was only a very recent acquisition. The FBI and Interpol have been involved. Citibank Dublin have been assisting with tracing of FTs, however it appears the trail goes cold when the funds reached banks in Israel and Jordan. (We have no apparent risk on the FTs, everything has been processed properly against clear funds)

My sense is that if they have been set up, as appears the case, they wont get the money back, and they will have alot of trouble making a claim on Bank Atlantic stick.

They are reviewing their process and new business decision, and will tell us more asap.

The writeoffs will be covered from within the group, not directly from Tom Bayer as was initially indicated by Doug Peters. The bank has to maintain its capital base to comply with Vanuatu regulations.

I would have expected the resources to be available.

Our exposure in a credit sense is quite small, clean daud , psr, etc of 400m, sr 1mm, dol of 200m, and small secured lcs, 100m.

The real risk for us in the future is that some transactions that cause loss finish up in accounts with us, where the loss crystallises, and they dont have the resources to cover us. The limits should ensure exposure will be contained.

They have been fine in the 2.5 years totodate, but we do have to decide if this event is terminal for us. If we have to classify, I would question if we want to continue.

Because of the outright small size of facilities, I dont see a major concern from a credit perspective. Our issue should be, if the stresses might lead to a problem on the credit front developing. Their deposit base is captured from their funds management business, which shouldnt be affected unless all this gets into public arena, which is most unlikely in the near term.

They have about \$6mm on deposit with us. I will arrange for at least \$1mm to stay until this matter is fully resolved, which should give us right of offset coverage.

On that basis, I do not recommend classification.

Paul, you have already signed the annual, Im sending it to Tim with this note, let me know if you want to revisit your approval.

thanks

19/5  
R. Bohn advised problems on a chargeback  
Agreed to release FX SR to J. Bohn &  
leave \$1mm on deposit until  
further advice

CG 004514

Agree  
The General Manager



## European Bank Limited

International Building,  
P O Box 65,  
Port Vila, Vanuatu  
Southwest Pacific

Telephone: (678) 27700  
Fax : (678) 22884  
Telex : (771) 1023 EURTRUSTNH  
Email : Security@Vanuatu.com.vu

### Facsimile Message

TO:	Chris Moore	FAX NO: 61 2 9239 4760
COMPANY:	Citibank, Sydney	REF/DATE: EUB/01.07.99
FROM:	Robert Bohn	PAGE NO: 1 OF 2

Dear Chris,

#### Credit card clearing potential loss

STRICTLY CONFIDENTIAL - NOT FOR  
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SUBCOMMITTEE MEMBERS AND STAFF  
ONLY

I refer to your fax of 17<sup>th</sup> May and apologize for the delay in replying to you.

We still don't know for sure what percentage of charges were valid and what percentage were fraudulent. We started clearing on 23 March for this merchant and the last file we cleared was 21<sup>st</sup> April. About 1/3 of charges were processed in March and 2/3 in April.

We process through TNT in Amsterdam. They have a "hold-back" buffer and after 3 months from the customer billings that would have gone out in March and at least two months since April billings, the hold-back held by TNT has yet to be exhausted, but we think it will be by next week. We will then start using our 10% hold-back for the merchant. Our hold-back is US\$250,000. We paid out to the merchant US\$2,300,000. It seems unlikely at this point in time (2-3 months since billings) that we will experience 100% charge-backs. That suggests some charging was valid, or people pay their credit card bills without looking at them.

As mentioned to you before, EUB will cover any loss that may be incurred. We have determined that the absolute maximum exposure to this fraud is USD 2.5m. For the reasons expressed above, we believe that the loss should not come to that figure, but we are nonetheless ready to cover such eventuality in full.

The fraud occurred in the business of credit card clearing for a US merchant that had been recommended to our bank by an existing client and which very quickly turned out to be bad. Our normal due diligence and know-your-customer investigations on that merchant, including a trade reference and a reference from his USA bank, as well as a financial assessment, revealed no obvious warning signals.

The standard contract we operate with merchants for credit card clearing requires a 10% reserve on the value of charges cleared to cover the eventuality of card charge-backs. This reserve level was established after our research with card clearers and contacts of ours in the direct marketing industry.

In the case of our bad merchant, who was involved tele-marketing of holidays, time-shares and travel products, he advised that he was holding thousands of credit card sales to be cleared and which related to past months marketing campaigns.

Soon after the merchant facility was set up, the bulk of the claims were processed and some USD 2.5m was promptly cleared and paid to the merchant less the 10% reserve. Each week of processing, our audit department randomly selected files and sought confirmation from the merchant re details of purchase and proof of proper authority. In all cases the merchant supplied full details and copies of cardholder signatures.

As soon as we received reports of contested charges by cardholders and of possible stolen computer lists of credit card data, we took action. Four weeks after the merchant's facility commenced, we suspended it to investigate the situation.

CG 003966

3679

PAGE 2 OF 2

We immediately tried to recover the funds paid out to the merchant, but found out that the most of the monies had been already been on transferred. We reported the alleged fraud with the appropriate authorities in the United States and remain in contact with them.

We also continue our investigation on the whereabouts of the merchant, who needless to say has since disappeared, and on the whereabouts of the USD 2.2m.

To answer your question on what has been done to prevent a repeat of this unfortunate affair, we immediately stopped taking on merchants who are not well known to us or to our group. We also no longer process charges of tele-marketers or merchants who do not hold signed card holder vouchers. We have also reviewed the mechanisms to establish the level of the reserve, depending on the service or products commercialized and the markets themselves.

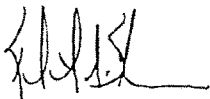
Over the next few weeks and months, we shall get a more precise idea on the extent of the chargebacks from fraudulent transactions. We debit the merchant's account with the chargebacks as and when they are received. We shall continue to do so until we have reasonably established that no further chargebacks are likely to be received. If the chargebacks exceed the reserve we hold, this debt will be secured, by further deposits with the bank made by Tom Bayer, pledged as security to ensure cover. When the extent of the outstanding debt is satisfactorily quantified, and depending on the outcome of recovery efforts, the security deposit of Tom Bayer will be applied to cover the balance of the outstanding debt. The good news is that after two plus months, the chargebacks are slowing and we still hold our reserve intact.

We are also exploring legal remedies against the Florida bank which we believe acted improperly in this matter. We relied on their original reference which we believe is seriously flawed and we now know they transferred out US\$700,000 three days after Citibank recalled the funds. They then failed to pass the recall onto the receiving banks for some time.

We do not believe that we will experience financial difficulties, however, because this was our first brush with fraud and because our systems failed, we are quite shaken from the experience.

We do not believe that this incident warrants any action on the part of Citibank but remain available should you require further information.

Kind regards



Robert M. Bohm  
President & CEO

EXC11ENTMARTINCY0306mpf.doc

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ONLY

CG 003967

3680

Moore, Chris

From: Moore, Chris  
Sent: Thursday, July 01, 1999 5:03 PM  
To: Ferguson, Bill; Fancourt, Tim; Henderson, Paul  
Subject: European Bank

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CIRCULATION  
SUBCOMMITTEE MEMBERS AND STAFF  
ONLY~~

We have now received formal advise from the MD of subject explaining the fraud and probable loss they have previously informed us of

In summary, following appropriate due diligence, they entered into a merchant credit card clearing agreement with a US merchant selling travel, holiday and time share products.

\$2.3mm has been paid out to the merchant which is unlikely to be collected from billings to card holders, and the max loss is considered to be \$2.5mm.

The loss is being covered progressively by Tom Bayer personally, and I believe Tom has the assets to cover the max loss.

The cause would appear to be fraud. European Bank appear have done appropriate due diligence including multiple references, and they may have an action against a US bank for at least some of the loss.

We have already reacted by reducing limits, and requiring European Bank to maintain balances with us which are in excess of our lines. (Routinely we have \$5-6mm, and lines incl sr are less than \$1mm)

My view is that while this is unfortunate, but we are not at risk and this need not adversely affect our relationship. However, there is a reality that small organisations have much less capacity to absorb risk of any sort than big ones, and we really dont need this sort of distraction.

We will take another look at the question of maintaining the relationship over the coming month or so.

regards

FILE	
DATE	
<input type="checkbox"/> CA/CPR	<input type="checkbox"/> A/C PLANS
<input type="checkbox"/> CALL REPORTS	<input type="checkbox"/> CODE II CA'S
<input type="checkbox"/> SUB ALLO'S	<input checked="" type="checkbox"/> CREDIT
<input type="checkbox"/> FW'S/SFPREADS	<input type="checkbox"/> MARKETING
<input type="checkbox"/> ANNUAL REPORTS	<input type="checkbox"/> LEGAL
<input type="checkbox"/> BIA	<input type="checkbox"/> NEWS
<input type="checkbox"/> SECTOR	

CG 003965



3681

Update

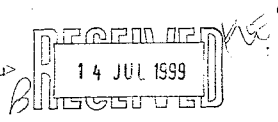
mailbox:/y47C/data/email/mail/TNBOX?id=...3171428.006849b4@pop.pcom.net&number

**Subject: Update**

**Date:** Tue, 13 Jul 1999 17:14:28 -0400

**From:** michael okun <medworld@pcom.net>

**To:** Kely Ihrig <Security@Vanuatu.com.vu>



Kely

How are you? Just got back in town.

Amro's package was delivered via DHL. I will be getting the tracking numbers for you on Thursday. Did Brendan Battles call you to make proper arrangements? Mark Wilson still HAS NOT returned my phone calls. Have you heard anything?

Also, I contacted Mosa Hossain's former bank to see if there was any investigation process going on and if I could help in any way. They told me it's in the FBI's hands at this point. They will be releasing 11K from his account to you shortly! I am still trying at my end to find that rip off artist!!

Interesting... did you know this?

Also, to avoid this absolute mess in the future, my investigating team will investigate any and all people we bring to you.

Sincerely

Mike

Tom

Do you know anything about this?

Kely

We told Atlanta trust to hold the 11K for the time being. we don't want the money close to the FBI, and they want an indemnity from EVS.

3682

Senate Permanent Subcommittee  
On Investigations  
EXHIBIT # 60f

**Exhibit 60f.**

**Nest Bank documents**

**EUROPEAN BANK TRANSACTIONS INVOLVING NEST BANK  
AT CITIBANK**  
January 1999-November 1999

DATE	AMOUNT CREDITED OR (DEBITED)	DESCRIPTION OF TRANSACTION				BANK / CLIENT
		ORDER PARTY	DEBIT PARTY	CREDIT PARTY		
1/19/99	\$4,129	Nest Bank, Crows Nest NSW, Australia	Coml BK SF		European Bank, Italia / Pico Trust Italia	
6/17/99	\$549,980	Ammopolos Fertilizer Plant, Almalyk, UZ	Uzpromstroybank / Uzbek Joint Stock		European Bank / Nest Bank / Texuna International Ltd.	
6/25/99	\$995,572	Ammopolos Fertilizer Plant, Almalyk, UZ	Chase Manhattan Bank		Nest Bank / Texuna International Ltd.	
6/28/99	(\$549,000)	European Bank, Port Vila, Vanuatu		Bank of New York (Phosphorous contract payment)	European Bank / Nest Bank / Texuna International Ltd. (Debit Nest Bank for phosphorous contract)	
7/2/99	\$449,980	Ammopolos Fertilizer Plant, Almalyk, UZ	Chase Manhattan Bank		Nest Bank / Texuna International Ltd. 7 <sup>th</sup> Fl. Rutonj	
7/2/99	(\$350,000)	European Bank, Port Vila, Vanuatu		ABM Amro Bank, N.V. / International Bank Astara, Ltd. / (For Nest Bank acct. replenishment)	European Bank / Nest Bank	
7/2/99	(\$300,000)	European Bank, Port Vila, Vanuatu		ABM Amro Bank, N.V. / International Bank Astara, Ltd. (Dipel, Ltd.)	European Bank / Nest Bank (Debit Nest Bank for Dipell, Ltd. contract)	

DATE	AMOUNT CREDITED OR (DEBITED)	DESCRIPTION OF TRANSACTION			
		ORDER PARTY	DEBIT PARTY	CREDIT PARTY	BANK / CLIENT
7/2/99	(\$100,000)	European Bank, Port Vila, Vanuatu		ABM Amro Bank, N.V. International Bank Asiana, Ltd. / (For Nest Bank act. replenishment)	European Bank / Nest Bank
7/7/99	(\$280,000)	European Bank, Port Vila, Vanuatu		Societe Generale S.A. Kiev, Ukraine (Reemisma Cherkassy)	European Bank / Nest Bank
7/7/99	\$167,980	Ammophos Fertilizer Plant Region Alimalyk	Uzpromstroybank / Uzbek Joint Stock		European Bank / Nest Bank / Texuna International Ltd.
7/8/99	\$282,300	United Industrial Bank Rusomax, Ltd.	American Express		European Bank / Nest Bank in favor of Lanley, Ltd.
7/9/99	(\$74,000)	European Bank, Port Vila, Vanuatu		Deutsche Bank AG H.F. and P.H.F. Reemisma GMBH	European Bank Nest Bank
7/12/99	\$230,000	Rusomax Limited	American Express		European Bank / Nest Bank in favor of Lanley, Ltd.
7/12/99	\$134,000	Nest Bank, Sidney, Australia	Bank of New York		European Bank / Nest Bank (replenishment)
7/12/99	\$10,000	Esset & Co., Ltd. Dover, DE	American Express		European Bank / Nest Bank for Clapport, Ltd
7/13/99	(\$600,000)	European Bank, Port Vila, Vanuatu		Deutsche Bank (H.F. & P.H.F. Reemisma, Hamburg, Germany)	European Bank / Nest Bank
7/13/99	(\$60,000)	European Bank, Port Vila, Vanuatu		Caja de Ahorros Del Mediterraneo (Sr. Vladimir Borisov, Salarisa)	European Bank / Nest Bank

DATE	AMOUNT CREDITED OR (DEBITED)	DESCRIPTION OF TRANSACTION			
		ORDER PARTY	DEBIT PARTY	CREDIT PARTY	BANK / CLIENT
7/16/99	\$62,080	Annophos Fertilizer Plant Region Almalyk	Uzpromstroybank / Uzbek Joint Stock		European Bank / Nest Bank / Texuna International Ltd.
7/16/99	\$5,030	Elma Trading, Ltd., Nicosia	Bank of Cyprus		European Bank / Nest Bank / Lanley, Ltd.
7/20/99	(\$1,458,532)	European Bank, Port Vila, Vanuatu		Bank of New York Zhambyl Branch of Texuna Chemicals (Phosphorous contract payment)	European Bank / Nest Bank
7/26/99	\$1,465,266	Texuna Chemicals, Inc Zhambyl Branchal, Maty, Kazakhstan	Kazcomertsbank		European Bank / Nest Bank / Texuna International Ltd.
7/26/99	(\$131,115)	European Bank, Port Vila, Vanuatu		Deutsche Bank (H.F. & P.H.F. Reemisma, Hamburg, Germany)	European Bank / Nest Bank
7/27/99	(\$1,996)	European Bank, Port Vila, Vanuatu		Chase Manhattan Bank (Gould Ralph Services Pty, Ltd. for invoice payment).	European Bank / Nest Bank
8/2/99	\$124,980	Annophos Fertilizer Plant Region Almalyk	Uzpromstroybank / Uzbek Joint Stock		European Bank / Nest Bank / Texuna International Ltd.
8/3/99	\$375,925	Annophos Fertilizer Plant Uzbekistan	Uzpromstroybank / Uzbek Joint Stock		European Bank / Nest Bank / Texuna International Ltd.
8/7/99	\$123,980	Annophos Fertilizer Plant Tashkent, Uzbekistan	Uzpromstroybank / Uzbek Joint Stock		European Bank / Nest Bank / Texuna International Ltd.
8/16/99	\$13,980	Elma Trading Ltd., Nicosia	Bank of Cyprus		European Bank / Nest Bank / Texuna International Ltd.

DATE	AMOUNT CREDITED OR (DEBITED)	DESCRIPTION OF TRANSACTION			
		ORDER PARTY	DEBIT PARTY	CREDIT PARTY	BANK / CLIENT
8/17/99	\$89,980	Amnophos Fertilizer Plant Tashkent, Uzbekistan	Amnophos Fertilizer Plant Tashkent, Uzbekistan		European Bank / Nest Bank / Texuna International Ltd.
8/19/99	(\$2,000,000)	European Bank, Port Vila, Vanuatu		Bank of New York (Nest Bank)	European Bank / Nest Bank for Texuna Chemical
8/26/99	(\$500,000)	European Bank, Port Vila, Vanuatu		Bank of New York (Nest Bank)	European Bank / Nest Bank for Texuna Chemical
8/30/99	\$1,680	Nest Bank	ABN Amro Bank N.V.		European Bank / Pitco Trust
9/27/99	\$1,076,690	Amnophos Fertilizer Plant Tashkent, Uzbekistan	Uzpromstroybank / Uzbek Joint Stock		European Bank / Nest Bank / Texuna International Ltd.
10/12/99	\$9,965	Alma Impex Ltd.	Anker Bank		European Bank / Nest Bank / Lanley, Ltd.
10/12/99	\$2,834	Nest Bank	ABN Amro Bank N.V.		European Bank / Pitco Trust
10/13/99	\$9,980	Elma Trading Ltd., Nicosia	Bank of Cyprus		European Bank / Nest Bank / Lanley Ltd.
11/3/99	\$1,429	Nest Bank	ABN Amro Bank N.V.		European Bank / Pitco Trust
11/8/99	\$31,200	Culberson Marketing, Ltd.	Banque Nationale de Paris		European Bank / Nest Bank / for Clanport, Ltd.
11/26/99	\$219,970	Texuna International Limited	Credit Lyonnais		European Bank / Nest Bank / Texuna International Ltd.

DATE	AMOUNT CREDITED OR (DEBITED)	DESCRIPTION OF TRANSACTION			
		ORDER PARTY	DEBIT PARTY	CREDIT PARTY	BANK / CLIENT
TOTAL	\$6,438,910    (\$6,330,642)				

Prepared by the U.S. Senate Permanent Subcommittee of Investigations, December 2000.

**EUROPEAN BANK LIMITED**

Port Vila, Vanuatu

Ref: IT99/452

CREDIT ADVICE

Date: 08/07/99

Dear Customer,

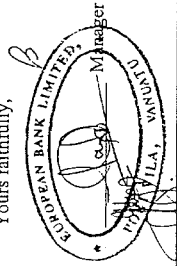
The amount shown below has today been credited to your account number [REDACTED] being  
inward payment B/O United Industrial Bank Rusomax Ltd F/O A/C 182865 Oflanley Limited

1208

Amount: USD 282,300.00

To: Nest Bank Limited *yc*

Yours faithfully,



*Please keep this advice for reconciliation with your statement.*

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**EUROPEAN BANK LIMITED**

Port Vila, Vanuatu

Ref: 17799/462

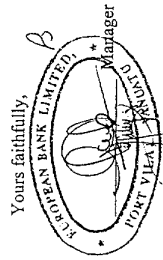
Dear Customer,

CREDIT ADVICE  
Date: 12/07/99

The amount shown below has today been credited to your account number [REDACTED] being  
*inward payment F/O A/C 182865 Oflantley Ltd B/O Rusomax Limited*

Amount: USD 230,000.00

To: Nest Bank Limited *dc*



Please keep this advice for reconciliation with your statement.

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in Subcommittee Files

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## EUROPEAN BANK LIMITED

INTERNATIONAL BUILDING  
KUMUL HIGHWAY  
PORT VILA, VANUATU  
- SOUTH PACIFIC -

OUR  
REF: 99-00734

DEMANDE DE  
APPLICATION FOR

CHEQUE DE BANQUE  
BANK DRAFT

TRANSFERT TELEGRAPHIQUE  
TELEGRAPHIC TRANSFER

X

DEVISE CURRENCY	USD	MONTANT EN CHIFFRES AMOUNT IN NUMBERS	\$100,000-00
DEVISE/CURRENCY	MONTANT EN LETTRES/AMOUNT IN WORDS		
USDOLLARS	ONE HUNDRED THOUSAND ONLY		
BENEFICIAIRE BENEFICIARY	NOM NAME	INTERNATIONAL BANK ASTANA LTD	
	ADRESSE ADDRESS	MOSCOW RUSSIA KRASNOKAZARMENNAYA STR. 12/13 BUILD.5	
	N° DE COMPTE ACCOUNT No.	[REDACTED]	
	Chez (nom de la banque et adresse) With (Bank name and address) Sort Code / Swift No	AEN AMRO BANK NEW YORK U.S.A. (SWIFT: ABNAUS33)	
Reason for Transfer: Account Replenishment			
Additional Message:			
Inter Bank Message: Turner Credit A/C# 30112840200000000001 - Nest Bank			
By order of: Nest Bank Ltd		Value Date: 27/99	

☒ Veuillez débiter mon/notre compte  
N° USD.  
Please debit my/our account No.

☐ Règlement par caisse  
I/We pay by cash

NOM DU TITULAIRE DU COMPTE  
ACCOUNT HOLDER'S NAME  
Nest Bank Limited

AUTHORISED SIGNATURE(S)

(Refer to Attached)

All charges, including  
Correspondent Banks for  
account of Remitter



All charges, including Correspondent  
Banks for account of Beneficiary



Correspondent Bank charges only  
For Account of Beneficiary



No charge



Remitting Bank charges only  
For Account of Remitter



## FOR BANK USE ONLY

Confirmation of the details of the above payment(s):

Inter Account Transfer within Group: N/A  
Signature of Applicant verified: OKAYV Authority Held: N/A Position of A/C verified: OKAYV  
Total amount charged: \$100,000-00 Value date of payment: 27/99 Correspondent Bank used: Citibank NY  
Comments (including charges): US\$100,000-00 + US\$100-00 TT Fee  
Checked and signed: [Signature] Date: 27/99  
DOCUMENTS/SPM/ST/UB/194

Redacted Information  
in Subcommittee File

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Page: 1 Transaction Detail Report

Date: 02-07-99 Time: 11:46

Customer Transfer

Transaction Queue	Sent
Customer Reference	C011000000003282
PreFormat Ref.	116501
Customer Information	99-00734
Priority Wire	NO
Ordering Customer	European Bank Limited Port Vila, Vanuatu
Debit Account Number	36121226
Urgent	NO Cash FI Mgt. Citibank NY
Account Description	EUROPEAN BANK LIMITED
Value Date/Ccy/Amount	02/07/99 USD 100,000.00
Beneficiary's Name	INTERNATIONAL BANK ASTANA LTD
Beneficiary's Account	██████████
Intracompany	NO
Beneficiary's Bank Name	ABN AMRO BANK, NEW YORK CITY, U.S.A
Beneficiary's Bank Code	
SWIFT Code	ABNAUS33
Intermediary Bank Name	
Intermediary Bank Code	
SWIFT Code	
Bank to Bank Information	/BNF/FURTHER CREDIT TO A/C NO: //████████████████████ WITH //YOURSELVES FOR NEST BANK LTD //RE: ACCOUNT REPLENISHMENT
Payment Details	B/O NEST BANK LIMITED
Charges	Default

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in Subcommittee Files

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# EUROPEAN BANK LIMITED

INTERNATIONAL BUILDING  
KUMUL HIGHWAY  
PORT VILA, VANUATU  
- SOUTH PACIFIC -

OUR  
REF: 99-00671

DEMANDE DE  
APPLICATION FOR

CHEQUE DE BANQUE  
BANK DRAFT

TRANSFERT TELEGRAPHIQUE  
TELEGRAPHIC TRANSFER

X

DEVISE <u>USD</u>		MONTANT EN CHIFFRES <u>\$ 350,000-00</u>	
CURRENCY		AMOUNT IN NUMBERS	
DEVISE/CURRENCY		MONTANT EN LETTRES/AMOUNT IN WORDS	
US DOLLARS		THREE HUNDRED FIFTY THOUSAND ONLY	
BENEFICIAIRE BENEFICIARY	NOM NAME	INTERNATIONAL BANK "ASTANA" LTD	
	ADRESSE ADDRESS	MOSCOW, RUSSIA KRAENOKAZARMENNATA STR. 12/13 BULD. 5	
	N° DE COMPTE ACCOUNT No.	[REDACTED]	
	Chez (nom de la banque et adresse) With (Bank name and address) Sort Code / Swift No	AEN AMRO BANK NEW YORK U.S.A. (SWIFT: ABNAUS33)	
Reason for Transfer: <u>ACCOUNT REPLENISHMENT</u>			
Additional Message: <u>FURTHER CREDIT A/C #: 30112840-000000000001 FOR NEST BANK</u>			
Inter Bank Message: _____			

By order of: NEST BANK LTD

Value Date: 2/1/99

☒ Veuillez débiter mon/notre compte  
N° USD  
Please debit my/our account No.

☐ Règlement par caisse  
I/We pay by cash

NOM DU TITULAIRE DU COMPTE  
ACCOUNT HOLDER'S NAME

NEST BANK LTD.

AUTHORISED SIGNATURE(S)

(REFER TO ATTACHED)

All charges, including  
Correspondent Banks for  
account of Remitter



All charges, including Correspondent  
Banks for account of Beneficiary



Correspondent Bank charges only  
For Account of Beneficiary



No charge



Remitting Bank charges only  
For Account of Remitter



## FOR BANK USE ONLY

Confirmation of the details of the above payment(s):-

Inter Account Transfer within Group: NIA

Signature of Applicant verified: OKAYV

Authority Held: NIA

Position of A/C verified: OKAYV

Total amount charged: US\$ 350,000-00

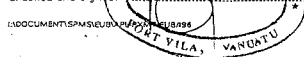
Value date of payment: 2/1/99

Correspondent Bank used: Chitank NY

Comments (including charges breakdown): US\$ 350,000-00 + US\$ 100-00 TH Fee

Checked and signed: \_\_\_\_\_

Date: 2/1/99



Redacted Information  
in Subcommittee Files

3693

Page: 2 Transaction Detail Report

Date: 02-07-99 Time: 11:46

Customer Transfer

Transaction Queue Sent

Customer Reference C011000000003281

PreFormat Ref. 116501

Customer Information 99-00671

Priority Wire NO

Ordering Customer European Bank Limited  
Port Vila, Vanuatu

Debit Account Number 36121226

Urgent NO  
Cash FI Mgt. Citibank NY

Account Description EUROPEAN BANK LIMITED

Value Date/Ccy/Amount 02/07/99  
USD  
350,000.00

Beneficiary's Name INTERNATIONAL BANK ASTANA LTD

Beneficiary's Account [REDACTED]

Intracompany NO

Beneficiary's Bank Name ABN AMRO BANK,  
NEW YORK CITY,  
U.S.A

Beneficiary's Bank Code

SWIFT Code ABNAUS33

Intermediary Bank Name

Intermediary Bank Code

SWIFT Code

Bank to Bank Information /BNF/FURTHER CREDIT TO A/C NO:  
// [REDACTED] WITH  
//YOURSELVES FOR NEST BANK LTD  
//RE: ACCOUNT REPLENISHMENT

Payment Details B/O NEST BANK LIMITED

Charges Default

Redacted Information  
in Subcommittee Files

OUR REF: 99-00733

TRANSFERT TELEGRAPHIQUE  
TELEGRAPHIC TRANSFER

By order of: Nest Bank Ltd

Value Date: 27/99

### Redacted Information in Subcommittee Files

AUTHORISED SIGNATURE(S)

(Refer to Attached)

Correspondent Bank charges only  
For Account of Beneficiary

Remitting Bank charges only  
For Account of Remitter

FOR BANK USE ONLY

Confirmation of the details of the above payment(s):-

Inter Account Transfer within Group: NIA  
Signature of Applicant verified: OKAY Authority Held: NIA Position of A/C verified: OKAY  
Total amount charged: \$300,000.00 Value date of payment: 2/1/99 Correspondent Bank used: CitiBank NY  
Comments including CHOPAN BANK LIMITED TT US\$ 300,000.00 + US\$ 100.00 TT Rec.  
Checked and signed: [Signature] Date: 2/1/99

1:\DOCUMENTS\SPMS\EURO-PL-PRINT.6UT1796

3695

Page: 1 Transaction Detail Report

Date: 02-07-99 Time: 11:47

Customer Transfer

Transaction Queue Sent

Customer Reference C011000000003284

PreFormat Ref. 116502

Customer Information 99-00733

Priority Wire NO

Ordering Customer European Bank Limited  
Port Vila, Vanuatu

Debit Account Number 36121226

Urgent NO  
Cash FI Mgt. Citibank NY

Account Description EUROPEAN BANK LIMITED

Value Date/Ccy/Amount 02/07/99  
USD  
300,000.00

Beneficiary's Name INTERNATIONAL BANK ASTANA LTD

Beneficiary's Account [REDACTED]

Intracompany NO

Beneficiary's Bank Name ABN AMRO BANK,  
NEW YORK,  
U.S.A.

Beneficiary's Bank Code

SWIFT Code ABNAUS33

Intermediary Bank Name

Intermediary Bank Code

SWIFT Code

Bank to Bank Information /BNF/FURTHER CREDIT A/C NO:  
// [REDACTED] WITH  
//YOURSELVES FOR DIPELL LTD RE:  
//CONTRACT 01-44.98 AT 16/11/98  
//B/O RANGER VENTURE CORPORATION

Payment Details B/O NEST BANK LIMITED

Charges Default

**Redacted Information  
in Subcommittee Files**

3696

NEST BANK LTD UK  
**EUROPEAN BANK LIMITED**

(12A)

INTERNATIONAL BUILDING  
 KUMUL HIGHWAY  
 PORT VILA, VANUATU  
 - SOUTH PACIFIC -

OUR  
 REF: 99-00781.

DEMANDE DE  
 APPLICATION FOR

CHEQUE DE BANQUE  
 BANK DRAFT

TRANSFERT TELEGRAPHIQUE  
 TELEGRAPHIC TRANSFER

X

DEVISE <u>USD</u>		MONTANT EN CHIFFRES <u>\$ 220,000.00</u>	
CURRENCY		AMOUNT IN NUMBERS	
DEVISE/CURRENCY		MONTANT EN LETTRES/AMOUNT IN WORDS	
		<u>US DOLLARS TWO HUNDRED EIGHTY THOUSAND ONLY.</u>	
BENEFICIAIRE BENEFICIARY	NOM NAME	<u>RENTISMA - CHERKASSY</u>	
	ADRESSE ADDRESS		
	N° DE COMPTE ACCOUNT No.	<u>[REDACTED]</u>	
	Chez (nom de la banque et adresse) With (Bank name and address) Sort Code / Swift No	<u>BANK SOCIETE GENERALE UKRAINE KIEV, UKRAINE SWIFT CODE: SGEEUAUK</u>	
Reason for Transfer: <u>CONTRAT 12-B DD 12.04.99 PER CIGARETTES B/C DELTAIDE INTL.</u>			
Additional Message			
Inter Bank Message			

By order of: Nest Bank Ltd.

Value Date: 7/7/99

☒ Veuillez débiter mon/notre compte  
 N° 3212345678  
 Please debit my/our account No.

☐ Réglement par caisse  
 I/We pay by cash

NOM DU TITULAIRE OU COMPTES  
 ACCOUNT HOLDER'S NAME  
Nest Bank Ltd

AUTHORISED SIGNATURE(S)

(Refer to Attached)

All charges, including  
 Correspondent Banks for  
 account of Remitter

☒

All charges, including Correspondent  
 Banks for account of Beneficiary

☐

Correspondent Bank charges only  
 For Account of Beneficiary

☐

No charge

☐

Remitting Bank charges only  
 For Account of Remitter

☐

FOR BANK USE ONLY

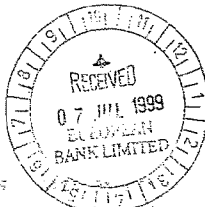
Confirmation of the details of the above payment(s):

Inter Account Transfer within Group: N/A  
 Signature of Applicant verified: CRAY Authority Held: N/A Position of A/C verified: CRAY  
 Total amount charged: USD 220,000.00 Value date of payment: 7/7/99 Correspondent Bank used: Chubb NY  
 Comments (including charges breakdown): US\$ 220,000 + US\$ 100.00 TTT Fee.  
 Checked and signed: [Signature] Date: 7/7/99

INSTRUCTIONS FOR REMITTERS

Redacted Information  
 in Subcommittee Files





07 JUL 1964

$$\begin{array}{r} 707 \\ 15 \\ 3 \\ 7 \\ 62 \\ 42 \\ 221 \\ \hline 1057 \end{array}$$
Redacted Information  
in Subcommittee Files

3698

## EUROPEAN BANK LIMITED

(12A)

INTERNATIONAL BUILDING  
KUMUL HIGHWAY  
PORT VILA, VANUATU  
- SOUTH PACIFIC -

OUR  
REF: 99-00797

DEMANDE DE  
APPLICATION FOR

CHEQUE DE BANQUE  
BANK DRAFT

TRANSFERT TÉLÉGRAPHIQUE  
TELEGRAPHIC TRANSFER

X

DEVISE...USD CURRENCY		MONTANT EN CHIFFRES \$74,000.00 AMOUNT IN NUMBERS	
DEVISE/CURRENCY		MONTANT EN LETTRES/AMOUNT IN WORDS	
US DOLLARS		Seventy Four Thousand only.	
BENÉFICIAIRE BENEFICIARY	NOM NAME	H.F. & P.H.F. REEMTSMA GMBH	
	ADRESSE ADDRESS	ALBERT-EINSTEIN-RING 7 22761 HAMBURG, GERMANY	
	N° DE COMPTE ACCOUNT No.	[REDACTED]	
	Chez (nom de la banque et adresse) With (Bank name and address) Sort Code / Swift No	DEUTSCHE BANK AG, ADOLPHSTRATZ 7, 20451 HAMBURG, GERMANY	
Reason for Transfer			
Additional Message			
Inter Bank Message			

By order of: Nest Bank Ltd

Value Date: 9/7/99

☒ Veuillez débiter mon/notre compte  
N°...USD.  
Please debit my/our account No.

☐ Règlement par caisse  
I/We pay by cash

NOM DU TITULAIRE DU COMPTE  
ACCOUNT HOLDER'S NAME

Nest Bank Limited

AUTHORISED SIGNATURE(S)

(Refer to Attached)

All charges, including  
Correspondent Banks for  
account of Remitter



All charges, including Correspondent  
Banks for account of Beneficiary



Correspondent Bank charges only  
For Account of Beneficiary



No charge



Remitting Bank charges only  
For Account of Remitter



## FOR BANK USE ONLY

Confirmation of the details of the above payment(s):

Inter Account Transfer within Group: N/A

Signature of Applicant verified: OKAYV Authority Held: N/A Position of A/C verified: OKAYV

Total amount charged: US\$74,100.00 Value date of payment: 9/7/99 Correspondent Bank used: Citibank NY

Comments (including bank charges): T/T US\$74,000.00 + US\$100.00 T/T Fees.

Checked and signed: [Signature] Date: 9/7/99

DOCUMENTS TO BE SUBMITTED TO THE BANK

Redacted Information  
in Subcommittee Files

3699

2

Transaction Detail Report

Date: 09-07-99 Time: 14:08

Customer Transfer

Transaction Queue Sent

Customer Reference C011000000003441

PreFormat Ref.

Customer Information 99-00797

Priority Wire NO

Ordering Customer European Bank Limited  
Port Vila, Vanuatu

Debit Account Number 36121226

Urgent NO  
Cash FI Mgt. Citibank NY

24

Account Description EUROPEAN BANK LIMITED

Value Date/Ccy/Amount 09/07/99  
USD  
74,000.00

Beneficiary's Name H.F. AND P.H.F. REEMTSMA GMBH

Beneficiary's Account

Intracompany NO

Beneficiary's Bank Name DEUTSCHE BANK AG,  
ADOLPHSPLATZ 7,  
20457 HAMBURG,  
GERMANY

Redacted Information  
in Subcommittee Files

Beneficiary's Bank Code

SWIFT Code DEUTDEHH

Intermediary Bank Name DEUTSCHE BANK AG, NEW YORK CITY,  
U.S.A.

Intermediary Bank Code

SWIFT Code DEUTUS33IBF

Bank to Bank Information /BNF/CODE [REDACTED] BY ORDER  
//DELTATRADE INTERNATIONAL  
//INT/PLEASE SEND MT100 ADVICE TO  
//DEUTSCHE BANK AG,  
//ADOLPHSPLATZ 7,  
//20457 HAMBURG, GERMANY

Payment Details B/O NEST BANK LIMITED

Charges Default

3700

# EURPEAN BANK LIMITED

(2A)

INTERNATIONAL BUILDING  
KUMUL HIGHWAY  
PORT VILA, VANUATU  
- SOUTH PACIFIC -

OUR REF: 99-00811

DEMANDE DE  
APPLICATION  
FOR

TIRAGE SVOS CAISSES  
CASHIER'S CHECK

CHEQUE DE BANQUE  
DEMAND DRAFT

TRANSFERT PAR AVION  
MAIL TRANSFER

TRANSFERT TELEGRAPHIQUE  
TELEGRAPHIC TRANSFER

XX

CURR.	<u>United State Dollars</u>		AMOUNT IN FIGURES	<u>US\$ 600,000.00</u>
DEVISE/CURRENCY	MONTANT EN LETTRES/AMOUNT IN WORDS			
	<u>United State Dollars Six Hundred Thousand only.</u>			
BENE FICIA RE	NOM NAME	<u>H.F. &amp; P.H.F REEMTSMA GMBH</u>		
BENE FICIA RY	ADRESSE ADDRESS	<u>ALBERT-EINSTEINN-RING7, 22761 HAMBURG, GERMANY</u>		
	N° DE COMPTE ACCOUNT No.	<u>[REDACTED]</u>		
	Chez (nom de la banque et adresse) With (Bank name and address) Sort Code	<u>Deutsche Bank AG</u> <u>Adolphsplatz 7,</u> <u>20457 HAMBURG</u> <u>GERMANY (DEUTDEHH)</u>	<u>Int. Bank:</u> <u>Deutsche Bank,</u> <u>NEW YORK, U.S.A</u> <u>(DEUTUS33IBF)</u>	
Reason for Transfer				
Additional Message				
Inter Bank Message				

By order of: Nest Bank Limited *cy*Value Date: 13/1/99

☒ Veuillez débiter mon/notre compte N° USD  
Please debit my/our account No.

☐ Règlement par caisse  
We pay by cash

NOM DU CLIENT  
CUSTOMER'S NAME

SIGNATURE AUTORISEE  
AUTHORISED SIGNATURE

Redacted Information  
in Subcommittee Files

NEST BANK LIMITED

AS PER ATTACHED TELEX

All charges, including  
Correspondent Banks for  
Account of Remitter

All charges, including Correspondent  
Banks for account of Beneficiary

Correspondent Bank charges only  
For Account of Beneficiary

NO charge

XX

Remitting Bank charges only  
For Account of Remitter

FOR BANK USE ONLY

Confirmation of the details of the above payment(s):

Signature of Applicant verified: Okay ✓ Authority Held: N/A Position of A/C verified: Okay ✓Total payment by Application: US\$ 600,000.00 Value date of payment: 13/1/99 Correspondent Bank used: ACTB NYComments: T/T US\$ 600,000.00 H.F. & P.H.F Reemtsma GMBH + US\$ 100.00 T feeChecked and signed: *[Signature]*Date: 13/1/99

3701

REF: 99-00811

\*  
55023 EURTRUST  
SMAIL RU

SOVMAIL COMPUTER MESSAGE

\*  
55023 EURTRUST

MESSAGE FOR EBL  
ADDR: 771 55023  
SEC : JUL12.0005

POSTED: MON, JUL 12, 1999 3:32 PM MTM  
MSG: GJJJ-7993-8104  
FROM: NEST/BITEX  
TO: EBL(AC:771,TLX:55023,ANS:EURTRUST)(REC)  
SUBJ: PMNT 1/2 AT 12/07/99

FROM:NEST BANK  
TO:EUROPEAN BANK LIMITED  
DATE: 990712  
1: 100 CUSTOMER TRANSFER  
PLEASE PAY  
15 TEST KEY: [REDACTED]  
20 SENDERS REF:CT990712D1  
30 VALUE DATE:990712  
32 AMOUNT :USD600,000.00  
50 ORIGINATOR:NEST BANK LTD  
52 ORIGINATORS BANK:EUROPEAN BANK LIMITED  
53 REIMBURSEMENT:[REDACTED]  
57 PAY THRU://DEUTSCHE BANK AG  
BLZ:20070000  
ADOLPHSPLATZ 7,20457 HAMBURG,GERMANY  
59 BENEFICIARY:[REDACTED]  
H.F. ? PH.F. REEMTSMA GMBH  
ALBERT-EINSTEIN-RING 7,  
22761 HAMBURG, GERMANY  
70 COMMENTS:DEPOSIT SUPPLY AGREEMENT  
INTERNATIONAL INVEST GROUP  
71 CHARGES:OUR  
NEST BANK  
914972 NEST RU

Redacted Information  
in Subcommittee Files

-----  
PERSONAL TELEX NUMBER: 914472 NEST RU  
-----

\*  
55023 EURTRUST  
SMAIL RU  
TOD 121947

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-0=04:01-R:56A-22:41.....

3702

# EUROPEAN BANK LIMITED

INTERNATIONAL BUILDING  
KUMUL HIGHWAY  
PORT VILA, VANUATU  
SOUTH PACIFIC

OUR REF: 99-00891

TIRAGE S/VOS CAISSES  
CASHIER'S CHECKCHEQUE DE BANQUE  
DEMAND DRAFTTRANSFERT PAR AVION  
MAIL TRANSFERTRANSFERT TELEGRAPHIQUE  
TELEGRAPHIC TRANSFER

12A

XX

CURRENCY <u>United State Dollars</u>		AMOUNT IN FIGURES <u>US\$ 13,115-50</u>
DEVISE/CURRENCY MONTANT EN LETTRES/AMOUNT IN WORDS <u>United State Dollars</u>		
BENEFICIARY	NOM NAME	<u>H.F. &amp; P.H.F REEMTSMA GMBH</u>
	ADRESSE ADDRESS	<u>ALBERT-EINSTEIN-RING 7, 22761 HAMBURG, GERMANY</u>
	N° DE COMPTE ACCOUNT No.	<u>[REDACTED]</u>
	Chez (nom de la banque et adresse) With (Bank name and address) Sort Code	<u>Deutsche Bank AG Adolphsplatz 7, 20457 HAMBURG GERMANY (DEUTDEHH)</u>
	Int. Bank:	<u>Deutsche Bank, NEW YORK, U.S.A. (DEUTUS33IBF)</u>
Reason for Transfer <u>Pmt by invoice 7005019 of 28/10/99 Tabaccoimport</u>		
Additional Message		
Inter Bank Message		

By order of: Nest Bank LimitedValue Date: 23/1/99
☒ XX Veuillez débiter mon/compte N° USD  
Please debit my/our account No.

☐ Règlement par caisse  
We pay by cash
NOM DU CLIENT  
CUSTOMER'S NAMESIGNATURE AUTORISÉE  
AUTHORISED SIGNATURERedacted Information  
in Subcommittee FilesNEST BANK LIMITED *cf*AS PER ATTACHED TELEXAll charges, including  
Correspondent Banks for  
Account of RemitterAll charges, including Correspondent  
Banks for account of BeneficiaryCorrespondent Bank charges only  
For Account of Beneficiary

NO charge

XX

Remitting Bank charges only  
For Account of Remitter

FOR BANK USE ONLY

Confirmation of the details of the above payment(s):

Signature of Applicant verified: Okay ✓ Authority Held: N/A Position of A/C verified: Okay ✓Total payment by Application: US\$13,115-50 Value date of payment: 23/1/99 Correspondent Bank used: ACTB NYComments: T/T US\$ 13,115-50 H.F. & P.H.F Reemtsma GMBH + US\$10-00 T/T feeChecked and signed: *[Signature]*Date: 23/1/99